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No. 29,927 — Tuesday May 13 1986 — D 8523 B

South Africa: choice Botha may have to take, Page 17

World news | Business summary

Gandhi puts Sikh in charge of security

Prime Minister Rajiv Gandhi promoted a Sikh boycotted by his community to India's top security job and dropped his Foreign Minister in his seventh Cabinet reshuffle since taking office.

In a surprise move, Gandhi, who has been challenged by militant Sikh separatists in Punjab state, moved Agriculture Minister Buta Singh to the Home (Interior) Ministry.

Sikh religious leaders blamed Singh for the army assault in June 1984 to flush out extremists from the Sikhs' holiest shrine, the Golden Temple of Amritsar. Page 4

Minister resigns

Canadian Industry Minister Sinclair Stevens resigned amid growing controversy over an alleged conflict of interest between his public duties and private business affairs. Page 4

Defence decision

UK Defence Secretary George Younger has ruled out a full-scale defence review as a way of securing required cuts in British defence spending estimated at about £3bn ($4.5bn) over the next three years. Page 18

Pretoria clampdown

South Africa hinted at new measures to prevent "total anarchy" on the eve of a visit by Commonwealth visitors trying to end relentless black unrest. Page 4

Nepalese vote

Voters in the Nepalese capital of Kathmandu ignored bomb scares and boycott calls to crowd the polls in general elections for a national legislature from which political parties are banned.

Taiwan initiative

Taiwan's ruling nationalist party has taken the first tentative step towards tolerating a viable united opposition since its flight from mainland China 40 years ago. Page 4

Shultz warns on cuts

US Secretary of State George Shultz said proposed cuts in the State Department budget would seriously hamper US foreign policy.

Shell stations attack

Saboteurs attacked nine Shell petrol stations in The Netherlands in an apparent protest against the firm's South African interests.

Iran warns US

Iran's navy commander warned that his ships would go into action if US and French warships continued to interfere with Iranian checking of Gulf shipping for Iraqi-bound cargoes.

Arms sale lobby

President Reagan fears congressional rejection of the proposed arms sale to Saudi Arabia might lead moderate Arab states to question America's reliability and will lobby hard to save the deal, the White House said.

Landmine kills five

Five government workers were killed and one wounded when their vehicle detonated a landmine in northern Sri Lanka.

Qatar frees foreigners

Qatar freed 30 foreign workers – 25 Filipinos, two Thais, two Britons and a Dutchman – seized 17 days ago in a dispute with Bahrain over a coral reef in the Gulf.

Firemen injured

Eighteen Spanish firemen were injured, four seriously, after they were trapped under a collapsed roof while fighting a factory fire in the Basque town of San Sebastian.

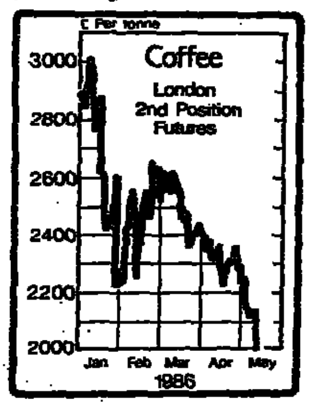
Dainippon Ink steps up offer for Sun

DAINIPPON Ink & Chemical, major Japanese producer of printing ink, has increased its offer for a second time for Sun Chemical Corporation, a leading US manufacturer of graphic arts, and says that it is prepared to pay $85 a share if negotiations commence promptly. Page 19

WALL STREET: The Dow Jones industrial average closed 2.10 down at 1,787.33. Page 40

LONDON equities showed some stability as the FT Ordinary index edged 0.2 higher at 1,330.50. Gilts were widely mixed. Page 40

TOKYO was unsettled by the surge in the yen and profit-taking. The Nikkei market average lost 89.75 to 16,105.23. Page 40



COFFEE futures prices fell £139 a tonne in London to £1,998.50, the lowest since early December, on news that Colombia had cut its export registration price. Page 32

DOLLAR fell to a record closing low in London of Y161.05 (Y162.3), DM 2.174 (DM 2.1785), FFr 6.9225 (FFr 6.9375) and SFr 1.8025 (SFr 1.8085). On Bank of England figures the dollar's index fell to 112.6 from 112.8. Page 33

STERLING gained $0.5 in London to close at $1.546. It also rose to DM 3.36 (DM 3.3575), FFr 10.7025 (FFr 10.69), was unchanged at SFr 2.7875, and fell to Y249 (Y250). The pound's exchange rate index rose 0.4 to 76.0. Page 33

GOLD closed unchanged at $345.25 on the London bullion market. It rose in Zurich to $345.45 ($344.70). In New York the Comex June settlement was $450.50. Page 32

OECD officials urged Greece to reduce state control of the economy to encourage industrial investment.

MALAYSIA is to consider providing soft loans to mining companies hit by the depressed tin market. Page 32

FRANCE: Inflation will fall less rapidly in France than among its major European trading partners over the coming months, according to the state statistics institute Insee. Page 3

SECURITIES and Exchange Commission charged an executive of Drexel Burnham Lambert Inc, Dennis Levine, and several others with insider trading, and won a court order freezing their assets.

UNILEVER, Anglo-Dutch consumer products group, increased first-quarter pre-tax profits by 11 per cent to £218m ($333m) on sales 13 per cent lower at £3.77bn. Lex, Page 18; Details, Page 24

SINGER, Connecticut-based US company planning to spin off its traditional sewing machine business, announced a definitive agreement to sell its controls division to Eaton, the Cleveland components group. Page 19

PREUSSAG, West German precious metals, energy and construction group, is cutting its dividend from DM 9 to DM 8 after a 10 per cent slip in profits last year.

KODAK, UK subsidiary of Eastman Kodak of the US, is to shed 900 of its 7,500 workforce. Page 8

HENKEL, West German chemicals concern best known for its washing powders, reports operating profit in the first quarter "improved" despite a drop of 9 per cent in worldwide turnover during the period to DM 2.19bn ($1bn). Page 19

Chinese to fill shuttle gap by launching US satellites

CHINA has signed an agreement to launch two satellites for the Texas-based Teresat group, with its "Long March Three" carrier rocket, write Robert Thompson in Peking and Mary Frings in Dallas.

The deal reflects how China's attempt to enter the space business has benefited from the US space shuttle disaster.

The memorandum of understanding follows the announcement in March of a similar agreement with the Swedish Space Corporation for the launch of a communications satellite. Chinese sources said the Swedish paid a deposit on March 21 for the service, though no date has been set for the launch.

Teresat is a joint venture of Universal Satellites and two Houston based companies, First National Trust, a property investment group, and the Star Technology and Science Corporation. It was formed to purchase the Palapa B and Westar VI satellites from the Lloyd's of London insurance market, although that is not yet complete. The two satellites were recovered from faulty orbits by the space shuttle Discovery in 1984.

The consortium apparently plans to refurbish the satellites, and to place one in orbit over the US for business communications and the other over the Pacific for, among other things, airline traffic communication.

Star Technology, technical consultants on the project, said the choice of the Chinese launch vehicle was strictly a business decision, because of the shuttle delays and the fact that the Ariane European programme was booked up. "The Chinese were our only resource in the timeframe we were looking for," said an official. "If we could use the US shuttle we would do it tomorrow." The consortium was looking for a launch in the fourth quarter of 1987.

In New York, Mr Henry Schwarz of Universal Satellites said the consortium "felt reasonably comfortable" that the Chinese had both the facility and the technology. He believed the Chinese had launched 17 or 18 rockets since 1972 with only one failure – well below the average for both the US shuttle programme and Ariane.

Mr Schwarz said the consortium was in close negotiation with Lloyd's over purchase of the two satellites. The letter of intent with the Chinese was a necessary step in convincing investment bankers that Teresat would have usable pieces of hardware, not something which was rushed away in a warehouse.

He said the purchase price being discussed with Lloyd's was about $50m, although the consortium is understood to have paid $106m to Western Union for Westar Six and $75m to the Indonesian Government for Palopa B.

Star Technology added that the Chinese were to finance the purchase price of the two satellites and the cost of the launch, which could come to a total of $80m.

China's Great Wall Industry Corporation, an arm of the Astronautics Ministry, which oversees the space programme, signed the memorandum with the consortium, and expects that the first of the rockets will be launched from China by December next year at the latest.

According to US sources, the agreement calls for the Chinese corporation to arrange an attractive insurance package with China's People's Insurance Company, which

Continued on Page 18

Space showpiece, Page 5

Gadaffi hits EEC with 36 diplomatic expulsions

By Our Foreign Staff

LIBYA yesterday announced the expulsion of 36 diplomats and other officials from seven EEC member-states in retaliation for what it described as "oppressive measures" taken against its People's Bureaux in their capitals.

The Community's political directors are expected to work out a co-ordinated response when they meet in The Hague tomorrow and on Thursday. The issue was not discussed by the Council of Ministers at their session in Brussels yesterday.

Italy, with by far the biggest presence of personnel with diplomatic status, will bear the brunt of Col Muammer Gadaffi's response to the concerted action taken by the Community aimed at reducing staff of the People's Bureaux to the same levels as their own missions in Tripoli.

Libya declared six members of the Italian diplomatic community persona non grata "for carrying out activities against Libya's interests." In addition, it has asked Italy to reduce by a further 19 the total of 70 to 80 nationals currently enjoying diplomatic status. These include consular, trade and cultural officials and teachers in Italian schools.

Apart from the size of its diplomatic community, Italy appeared to have been singled out for special treatment because of the tough line taken against Libya by Mr Bettino Craxi, the Prime Minister, at the Tokyo summit.

Late last month, Italy expelled 10 Libyan diplomatic personnel out of a total of 47 in this category. It drastically reduced the freedom of those remaining.

Earlier, an official of the Libyan Arab Foreign Investment Company was arrested on charges believed to be connected with planned assassination attempts against Western ambassadors, including that of the US.

In Tripoli, Italy is responsible for looking after the interests of the UK, which broke off diplomatic relations in April 1984 after the murder of a policewoman by a member of the Libyan mission in London. It also looks after Irish interests.

Four West German embassy staff have been told to leave within 10 days. On April 27, Bonn ordered the Libyan People's Bureau there to cut its staff from 41 to 19 and reduced the number in the West German embassy in Tripoli to the same level.

Two Belgian diplomats have been expelled by Libya, including the deputy head of mission and the secretary dealing with US interests,

Tokyo to study aid for groups hit by high yen

BY CARLA RAPOPORT IN TOKYO

MR YASUHIRO NAKASONE, the Japanese Prime Minister, yesterday ordered an investigation into additional relief for those companies most hurt by the rise in the yen.

The Japanese currency touched another post-war high yesterday, briefly breaching the Y160 barrier against the dollar in Tokyo.

According to officials at the Ministry for International Trade and Industry (Miti), Japan is considering a cut in the interest rates on emergency loans for small exporters as well as the purchase by the Government of production facilities which have gone idle as a result of lower export orders.

Mr Nakasone is under increasing pressure domestically to ease the traumas of the small and medium-sized exporters, now that Japan has to live with the higher yen.

Miti is also studying ways to pass on the import benefits of the stronger yen to domestic companies. It has already formally asked the import and distribution industries to reduce their retail prices. A Miti study completed in early April showed that retail prices of imported goods had not fallen, despite the fall in import prices.

The government is also under pressure to secure price cuts from the electric power and gas industries.

Further, while Japan's largest exporters are hurriedly increasing their offshore production facilities, Miti is now studying ways to help

Mr Yasuhiro Nakasone

increase direct overseas investments by small and medium-sized exporters.

George Graham writes from London: The dollar closed in Tokyo at Y160.20 but recovered slightly in European trading after a renewed warning by Mr Noboru Takeshita, the Japanese Finance Minister, that Japan would intervene to support the US currency.

He described the dollar's decline against the yen as excessive and said that policy adjustments by the major industrial nations, including the US, were needed to achieve exchange-rate stability.

In London the dollar closed at Y161.05, down 1¼ yen from Friday's New York close. In early New York trading, it began to slide again. Against the D-Mark it lost 1½ pfennigs to end in London at DM 2.174.

Money markets, Page 33

Norwegian krone fails to fall by full 12%

By Fay Gjester in Oslo

THE NORWEGIAN krone was very firm on the Oslo currency market yesterday, trading at only about 7½ per cent under Friday's values, despite the official 12 per cent devaluation announced on Sunday by Mrs Gro Harlem Brundtland's new minority Labour Government.

It was "not unlikely" that the Bank of Norway would sell kroner to keep the currency from rising too far above the official index range of 109-114, according to Mr Knut Andreasson, the central bank's deputy director. The index closed yesterday at 109.61, against a level of just below 102 on Friday. The index, measuring the krone's value against 14 currencies, moves inversely to the strength of the currency.

In London, the Norwegian currency closed at NKr 3.4167 against the D-Mark, the heaviest element in the currency basket. This was about 6.9 per cent lower than Friday's figure of NKr 3.1824. The krone was 6.8 per cent lower against the dollar, closing in London at NKr 7.425.

The Oslo stock exchange reacted positively to the devaluation, reflecting hopes that it would boost exports and make Norwegian products more competitive on the home market. The all-share index, which had hit a low for the year of 260.04 on Friday, rose to 272.11. Turnover on the main exchange more than doubled to NKr 49.9m.

A director of Norway's export council, Mr Per Aarstad, forecast that the devaluation – because of its size – would have a "prolonged, beneficial" effect on the country's industry, particularly the sector which exports mainly raw materials and semi-manufactures.

"Sweden's 16 per cent devaluation had a significant impact and our 12 per cent devaluation now will have a corresponding effect," he said. If the krone had been devalued by only 5 to 6 per cent, he added, the effect would have been "negligible" and "virtually nil over the longer term."

Mr Trond Reinertsen, head of the Norwegian Bankers' Association, was critical of the way the move had been handled. It was not "part of a well-planned strategy" on the new government's part. It would only aggravate Norway's main problem which was getting wage inflation under control, he said.

Norwegian bank profits have been hard hit over the past 10 days by the steep rise in the cost of short-term money. As part of its efforts to avert devaluation, the central bank jacked up its overnight money rate from a normal level of about 14 per cent to a maximum of 50 per cent. This aimed to prevent speculation against the krone financed by borrowed funds, but it affected short-term borrowing rates generally, in a market where rates are already among the highest in Europe.

Public sector unions, meanwhile, have hinted that they may revise their pay claims upwards following the devaluation. While pay deals have already been agreed for most private sector employees, the final round of bargaining for the public sector starts today.

Labour's inherited problems, Page 3; Share market reaction, Page 40

Moscow 'kept in dark' over extent of Chernobyl fire

BY PATRICK COCKBURN IN MOSCOW

THE SOVIET UNION yesterday said that it had not immediately told neighbouring countries about the extent of the Chernobyl nuclear power plant disaster because its own leadership was at first ignorant of what had happened.

Soviet television also revealed last night that six more people have died since the accident, bringing the total death toll to eight. It said the six died in hospital of radiation burns. Another 35 of the 204 officially reported injured were in a serious condition.

Mr Vladimir Lomeiko, the Soviet Foreign Ministry spokesman, in the first official briefing since the accident on April 26, asked reporters: "Why do you imagine that right after the accident everybody knew what had happened?" He said local officials had at first underestimated the gravity of the crisis. Three have since been reprimanded.

"We did not knowingly conceal information," Mr Lomeiko said, adding that in future full information would be made available about what was happening in Chernobyl and the surrounding area.

He also strongly attacked the Western media for its coverage of the Chernobyl disaster which, he said, "reflected an anti-Soviet psychosis." To illustrate his point, Mr Lomeiko, who was visiting the US at the time of the crisis, held up a copy of the New York Daily Post. Its headline read: "Mass grave – 15,000 reported buried in nuke disposal site."

Mr Lomeiko said that "a climate of distrust is being created against a whole country and a whole people."

He also attacked the EEC for its new regulations against the import of foodstuffs from the Soviet Union and Eastern Europe, saying that there was no justification for the ban and quoting experts from the World Health Organisation as saying there was no danger from foodstuffs grown in these areas.

Three local officials from the Chernobyl plant have been severely criticised by Pravda, the Communist Party daily newspaper, for their failure to look after 200 evacuees, the first time since the disaster 16 days ago that anybody had been named for dereliction of duty.

The prominence of the attack, taken with the repeated assertion by senior Soviet officials that they did not understand the gravity of the crisis until at least four or five days after the accident, implies that other, more senior, officials will face dismissal for their failure to inform Moscow of what was happening.

Mr Boris Shcherbina, the head of the commission investigating the accident, said last week that the situation at Chernobyl when he arrived there four days after the accident was not as bad as been described to him in Moscow.

EEC foreign ministers last night failed to agree on common acceptable safety standards for radioactivity in food, but confirmed a Community-wide ban on food imports from Eastern Europe. They decided that member states could impose safety levels according to their own national regulations, but must not discriminate against imports from fellow member states. A further effort to agree on common levels will be made by national experts tomorrow. Earlier story, Page 3

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Background and analysis, Page 3; UK call for ban on N-power, Page 6

Marchais signals his plan to stand down

BY PAUL BETTS IN PARIS

MR GEORGES Marchais, secretary general of the French Communist Party, yesterday announced that he would not stand in the next French presidential election. The move was widely seen as a clear signal that Mr Marchais is planning to step down after 16 years as party leader.

The decision reflects the growing turmoil inside the Communist Party and the increasing criticism of Mr Marchais' leadership in the wake of the party's steady electoral decline during his tenure.

Under Mr Marchais' leadership the party has seen its electoral support decline from nearly 25 per cent to just under 10 per cent of the national vote in the legislative elections in March. The party, which once commanded greater support than the Socialists, has also been virtually overtaken by the extreme right-wing National Front, which now has the same number of seats in the National Assembly as the Communists.

Mr Marchais' decision not to stand also coincides with a major campaign inside the Socialist Party to support President François Mitterrand again as the party's official candidate in the next presidential elections. Mr Michel Rocard, the former Socialist Agricultural Minister, has also made it clear, however, that he intends to put himself forward as a presidential candidate.

Mr Marchais told a meeting of the party's central committee that his announcement reflected "a personal decision which I took a long time ago." Mr Marchais added that a national conference of the party would choose the next presidential candidate. One of the favourites is Mr Charles Fiterman, the former Transport Minister, long regarded as the heir to the party's leadership.

During the past two years, Mr Marchais' leadership has become increasingly questioned by the party rank-and-file, although the party's centralised and tightly-held leadership structure had enabled Mr Marchais to hang on as secretary general and silence dissident voices from so-called party reformers.

But the setback in the last elections has provoked even greater turmoil inside the party with dissidents for the first time openly attacking the party leadership on a big scale in newspaper articles and political meetings.

The leadership this time appears to have failed to smother the criticisms from its dissidents, who have called for an extraordinary congress to review the future of the party.

With the credibility of his leadership becoming questioned by many Communists, it seemed inevitable that Mr Marchais would eventually be eased out of his position at the top of the party.

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Brussels says more chemical capacity cuts may be needed

BY PAUL CHEESERIGHT IN BRUSSELS

CHEMICAL INDUSTRY plans to cut capacity will be sufficient to bring supply back into balance with demand only if the crude oil price stabilises around present levels and demand rises by 10 per cent during the rest of this decade.

The European Commission made this assessment in its annual study of capacity in the refining industry, published yesterday.

The industry has been forced to rationalise in order to maintain competitiveness in the face of an expected build-up of refined petrochemical products from the Middle East. Its plans involve 40m tonnes of capacity cuts between now and 1990. Total capacity in January was 615m tonnes, the Commission noted.

Its assessment of current cutback plans was drawn up against the background of twin uncertainties — how the oil price will move and how the level of demand will evolve.

Cuts of 40m tonnes by 1990 would be adequate, on the basis of capacity use of 80 per cent, provided the crude oil price settles around $15 a barrel, the Commission calculated.

But if the oil price rose and settled at $20 and present demand levels were maintained, then deeper cuts in capacity would be needed — 65m tonnes, instead of the 40m tonnes already planned, the Commission thinks.

In a third scenario, the Commission considered an oil price stable at around $25 and a 5 per cent drop in capacity. Under those circumstances, plant closures would need to be 95m tonnes, it considers.

Capacity utilisation in the primary distillation section of the industry remains at a lower level on average than the minimum 80 per cent seen as necessary for financial and technical efficiency.

According to Commission figures, the average is about 70 per cent. The average is dragged down by utilisation rates of less than 60 per cent in Italy and Portugal. In Denmark, West Germany and Britain, however, capacity utilisation is running over 80 per cent.

The Norwegian Government yesterday indicated its willingness to co-operate with Opec in efforts to stabilise the international oil market if Opec reaches an agreement on production and pricing policies, reports AP-DJ in Vienna, quoting the organisation's news agency.

Rupert Cornwell travels aboard the only UK military train left in regular service

British 'Intercity' keeps a line to Berlin

AT ABOUT 8.35 on a brilliant early May morning, the doors of a six carriage train standing at a scruffy side platform at Charlottenburg station in West Berlin are carefully padlocked by a small detachment of British troops—and another of the manifold curiosities of a divided Germany is about to begin its daily re-enactment.

Nowhere else in the world, perhaps, has the temporary such a habit of becoming permanent as in Berlin, that living symbol of the absence of a formal treaty to end the Second World War. Nowhere, by the same token, is so rich in anachronisms. And of those anachronisms few are as fetching as the train which plies back and forth between the former capital of the Reich and Braunschweig in what used to be the British zone of conquered Germany.

Every day since 1945, with the exception of Christmas Day and the period of the Berlin blockade in 1948-49, the "Berliner," the only British military train in regular service anywhere in the world, has made the four-hour run out of the British sector of the occupied city across East Germany (for the purposes of the train the Russian zone of conquered Germany) and back to the west.

In this day and age the road and air corridors are far more practical means for the western allies to supply their garrisons in West Berlin. Yet, assiduously, Britain, France and the US maintain the rail link as well, deliberately to hold the Soviet Union to its promise, enshrined in the Four Power Berlin Agreement of 1972, to guarantee them unimpeded access to their part of the city.

British troops in West Berlin

The trains are barred to Germans, whatever their provenance: only nationals of the three powers may use them. The French train reputedly has excellent food, but operates only twice weekly (from Strasbourg). The American one travels overnight from Frankfurt, regrettably reducing sightseeing opportunities to a minimum. The British train, connoisseurs agree, is the most fun.

And indeed, what could be more agreeable, after having one's special military movement orders checked before boarding, than to sit down to a substantial English breakfast as the train, this time carrying the unusually small number of 26 passengers, sets out for the West?

The dining car, and its nononsense service and specially labelled claret, could belong on British Rail's Intercity out of Euston to Manchester. What is different are the soldiers, today from the Devon and Dorsets and the Gloucesters, patrolling the corridors, and the distributed instructions "not to converse with East German or Soviet personnel," and to "remain seated at all stops in East Germany."

The first of these comes after half an hour when the train, with its Union Jack emblems on each carriage, pulls into a special wired off corridor at Potsdam station. As a Russian soldier idly surveys the scene, the engine is detached and searched. Then the familiar soft thud as it is reconnected. An East German driver and guard come on board, and we set off.

The sense of ritual is overpowering. Technically the chains on the door handles are to keep the passengers in, rather than—as might seem more logical—to keep East Germans out. In fact no one has tried to use the train to escape to the West for years, although a few days ago an East German railway guard committed suicide by throwing himself in front of it. "Unfortunately he chose us," said the train's conducting warrant officer, a sergeant-major from the Royal Corps of Transport.

There is also a bit of ritual spying. In addition to the uniformed soldiers, the train every day carries two "observers" in civilian dress. But regulations bar them from using cameras or binoculars, and since the same train passes on the same route at the same time every day, it must be presumed the Russians and East Germans will not put any secret hardware or manoeuvres on display as it goes by. Sometimes, however, there may be "the odd little clue, like a new piece of kit" to be seen, which makes the game worthwhile.

At 11.25, in the East German frontier station of Marienborn, comes the ceremonial climax of the morning's proceedings. While the engine is once more detached and searched—and as the passengers tackle an early lunch—the train's commanding officer, the warrant officer and a sergeant interpreter from the Royal Regiment of Wales, get off to present the documents of everyone on board to a Soviet officer.

A march up the platform, a brisk exchange of salutes and the four disappear into a small office for formalities, oiled by 41 years of practice. Occasionally, the Russians were known to produce vodka but that stopped after Mr Mikhail Gorbachev's recent edict against alcoholism. Now, they are said to be putting out informal feelers with the British for supplies of Guinness.

After a quarter of an hour the check is over. The three British soldiers reboard the train and nine minutes later the "Berliner" is safely across the border into Helmstedt where both East German engine and guard are replaced by ones from West Germany. The contrast between the vaguely menacing shabbiness of the East and the sanitized prosperity of the West is reassuring, yet anticlimactic as ever.

Finally, at 12.28, Britain's only military train pulls in on time at Braunschweig. West Berliners, in the unlikely event that they know such an historical oddity exists, may sleep more soundly at night in the knowledge that the machinery to protect them is in proper working order.

Hungary's trade with the West declines

By Leslie Colitt in Berlin

HUNGARY had a $270m hard currency trade deficit in the first quarter of the year, as the result of falling food and agricultural sales to the West. Together with Poland and Bulgaria, it has protested about planned EEC curbs on fresh meat and produce imports from Comecon as a result of the Chernobyl nuclear accident.

The fall in hard currency income threatens key economic targets, according to the main Communist newspaper Nepszabadsag. Planners had hoped to raise real incomes and investments this year, but this now appeared less realistic.

The country had planned a $400m surplus in its convertible currency trade this year, after trade with the West plummeted last year to [illegible] from $720m in 1984. An EEC ban would be an added blow as Hungary normally sells more than $100m annually in fresh meat and produce to Western Europe.

Budapest has also sought to assure potential Western visitors to Hungary that radiation levels there are normal, and that tourists are safer from terrorism in Budapest than in most Western cities. Tourism has been one of the few bright spots in the economy.

The tone of Hungarian newspaper commentaries on the economy has grown increasingly pessimistic. The Budapest daily Magyar Nemzet noted last week that Hungary was on a "dangerous" economic course, with Hungarian companies and the Government operating at cross purposes. Government incentives to companies to boost exports to the West are ignored by managers who find it easier to increase sales to other Comecon countries, it said.

The Government this month lowered oil prices for chemical companies by 16.5 per cent and ethylene prices by 20 per cent in an attempt to improve their international competitiveness. Despite the steep fall in world oil prices, Comecon oil prices have remained at previous levels, as they are calculated on a sliding five year average of world prices.

Hungary's Minister of Industry estimates that the country will suffer a loss of $100m this year as a result of falling prices for oil products in the West. Along with other East European countries, Hungary in recent years has sold both the excess crude oil it imports from the Soviet Union as well as oil products to the West to bolster its hard currency earnings.

Trusthouse Forte to build 10 large hotels in Italy

BY ANDREW TAYLOR IN LONDON AND JAMES BUXTON IN ROME

TRUSTHOUSE Forte, the hotels group, says the initial cost of its planned expansion in Italy will be around L500bn ($325m) to build 10 large hotels.

The company earlier this year announced proposals to expand its Post House hotels in Italy and West Germany and recently announced plans to build a new hotel in Hamburg.

The group's interests in Italy currently are a holiday village and hotel in Sardinia.

Mr Rocco Forte, group chief executive, said at a tourism conference in Italy that the new hotels would provide a total of 7,200 beds and would be built near airports and major road junctions in commercial areas of northern and central Italy and cultural centres in the south.

Trusthouse confirmed that the group was looking at several possible sites but said it was too early to discuss detailed plans.

The Trusthouse Forte decision is an important development for the Italian hotel trade.

Although Italy has Europe's largest tourist industry, the country has few large hotels and most hotels are independent, family-run operations. There is a serious shortage of hotels at peak time in Milan and Florence.

There are a few hotels run by international chains, including Hilton and Sheraton, while at the luxury-hotel level the market is dominated by the Ciga Group, which is controlled by the Aga Khan, who has big investments in Italy. In the middle range of the hotel market, the principal hotel chain operator is Jolly Hotels, owned by the Marzotto Group.

Many Italian hotels suffer from having little investment in renovation and refurbishment in the past 15 years.

Strike hits Irish farms

BY HUGH CARNEGY IN DUBLIN

THE Irish Government was hit yesterday by a public-sector strike which could seriously affect the country's important beef and dairy industries just as it appeared to have settled a long-running pay dispute with teachers.

A group of 150 agriculture department officials held a one-day stoppage which disrupted the buying of beef and dairy products into EEC intervention stocks – an important prop for Irish farmers – and slaughtering.

The action, in pursuit of a pay claim, is due to be stepped up from today. The Agriculture Department said it could lead to a halt in intervention buying and disruption of exports. The beef and dairy trade make up three quarters of Irish agricultural output and account annually for more than I£2bn ($2.76bn) in exports.

The dispute worsened as the Government appeared to have found a way out of a bitter nine-month pay dispute with teachers in time to lift a threat to this summer's school exam programme.

Teachers are expected to vote this week in favour of a compromise deal agreed at the weekend with the three teachers' unions giving I£35m in lump-sum payments, plus further phased increases.

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EUROPEAN NEWS

EEC struggles to agree radioactivity levels in food

BY QUENTIN PEEL IN BRUSSELS

PUBLIC ALARM over the consequences of the Chernobyl nuclear disaster turned to despondency in Brussels yesterday, as 12 foreign ministers and their national experts struggled fruitlessly all day to agree on common acceptable levels of radioactivity in food.

While all the members states were able to agree in principle on a ban on East European fruit, vegetable and dairy imports, they were unable to finalise parallel standards for their own food production, after almost a week of talks.

The ministers managed to agree on a feeble exhortation to travellers to stay clear of the worst affected areas of the Soviet Union, but reassured them that they could drink the tap water—apparently ignoring years of extreme caution practised by foreign residents in the country.

Officials of the European Commission wrung their hands in despair at the inability of the member states to agree on urgent measures to protect their populations from radioactivity in EEC food produce.

Mr Carlo Rina di Meana, the Italian Commissioner responsible for a "Citizens' Europe," went so far as to issue a formal statement declaring that the European Community "does not exist as a political and scientific entity capable of reacting speedily to the problems created by the nuclear emergency."

The sticking point for the 12 concerned the determination of West Germany to maintain the strictest possible radiation levels, especially for broad-leaf vegetables like lettuces most at risk and the fears of Italy that it would lose its most valuable market for early-season produce.

That clash is compounded by Italy's insistence on demanding health certificates on food imports at its own borders, causing big delays particularly for French exporters of fruit and vegetables.

There appeared to be agreement yesterday on setting becquerel levels—the measure of radioactive traces in a product—for dairy produce and non-leaf vegetables, of 500 and 350 respectively. But a suggestion that levels for broad-leaf vegetables should be left up to national governments was unacceptable both to Bonn and Rome.

If West German national limits apply to Italian imports it would hit Italian lettuces even harder than the proposed EEC rules, because the West German limits are set at 250 becquerels.

The foreign ministers were still apparently determined last night to agree on restricting East European produce, already subject to a ban as far as fresh meat and live animals are concerned.

The worry of European officials, however, is that the whole exercise intended to reassure EEC citizens about their safety has rebounded, as the member states have been shown incapable of agreeing on safe levels for often purely commercial reasons.

● Saudi Arabia banned the import of all fresh food produce from Europe for one week from May 7 for fear of radioactive contamination after the Soviet Chernobyl nuclear disaster, diplomats told Reuter in Jeddah yesterday.

They said Saudi authorities told representatives of EEC countries in Riyadh only yesterday that the ban would last one full week from May 7.

HOW THE EEC FOOD IMPORT BAN HITS EASTERN EUROPE

	1985 exports in banned categories* (Ecu m)	1985 total exports to EEC (Ecu m)
Soviet Union	10	20,200
Poland	240	3,400
Czechoslovakia	73	2,200
Hungary	355	1,990
Romania	55	2,800
Bulgaria	31	550
Yugoslavia	204	4,780

* Ecluding Ecu 80m of live pigs and cattle, which EEC banned last week.

Source: EEC Commission.

Dutch farmers may sue Moscow

By Laura Raun in Amsterdam

A DUTCH INSURER is investigating whether the Soviet Union can be sued for the financial damage suffered by Dutch farmers as a result of the Chernobyl nuclear disaster.

Interpolis, the insurance company, said yesterday that it had engaged the International Legal Institute in The Hague to determine whether liability can be assigned to the Soviet Union. The institute will also determine whether a legal process could be pursued under Dutch, Soviet or international law.

The institute was established in 1918 to advise lawyers and private companies about international civil law. It has provided expertise for the neighbouring International Court of Justice,

No overall estimate of the financial loss from the Chernobyl accident has yet been made by Interpolis, the Dutch Agriculture Ministry or the powerful Landbouwschap, the Dutch agricultural industry association.

The Landbouwschap, however, has estimated that the five-day government ban on outdoor grazing of dairy cows — which ended last Saturday — cost farmers about Fl 25m (£6.6m).

● The Chernobyl nuclear disaster has killed off Yugoslav plans to build its second nuclear power plant, the leading Yugoslav political weekly NIN said, Reuter reports.

NIN has also criticised the Soviet Union with biting sarcasm for "sticking its head in the sand and hoping nobody would notice what happened," at the Chernobyl plant.

● The French government has attempted to allay public disquiet over the effects of the Chernobyl disaster by setting up an inter-ministerial committee to co-ordinate information about radioactive fall-out over the country, writes David Marsh in Paris.

The committee has been set up under the chairmanship of Mr Alain Madelin, the Industry Minister, following disclosure at the weekend that France was not after all untouched by the radioactive cloud which passed over Europe after the accident.

Mr Madelin admitted that information over the mishap had "passed badly" through to the public.

German commercial TV hopes collapse

By Peter Bruce in Bonn

ANY HOPES that West Germany's provincial leaders might still find a formula for the introduction of nationwide commercial television beamed directly from space collapsed in Bonn yesterday. The country's first direct broadcasting satellite, due to be launched this autumn, will probably not be sending programmes to North Rhine Westphalia, the biggest state, or Hessen.

Both are controlled by the Social Democrat Party (SPD) which is in opposition in Bonn. Neither state, during years of negotiation over a set of rules governing directly broadcast programmes common to all Länder (states), has shown much interest in privately owned channels.

The states control broadcasting in West Germany, and the SPD Länder have feared that private channels will trivialise news, be generally right-wing in tone and will damage the public networks.

Yesterday, in the second such move in recent months, the leaders of three conservative states, Bavaria, Baden Württemberg and Rhineland Palatinate, decided to go ahead without North Rhine Westphalia and put their names to their own set of rules. The three states, like Berlin, Lower Saxony and Schleswig Holstein in March, will take one channel on the new satellite and put it out to tender.

The scrappy introduction of direct broadcasting into West Germany will inevitably damage its attraction to advertisers.

Much of the row about the introduction of private television in West Germany has centred on efforts by the present conservative Government, and its state leaders, to try and prevent the publicly owned channels from supplementing their licence fee income with advertising.

Strict time limits on television advertising already apply, but faced with the threat of competition from private channels, the public networks, in some cases backed by SPD state governments, have either introduced advertising or are agitating to increase their advertising allowance.

The conservative states accuse the SPD Länder and some public television officials of deliberately seeking to sabotage private television.

Kevin Done on the new team's prospects

Labour inherits host of problems in Norway

THE PARTY is over for Norway, but it is still far from clear if the country has much idea about how to deal with the hangover. One minority government has replaced another, the currency has been devalued by 12 per cent and a package of austerity measures has been promised for the revised budget at the end of the month.

In Parliament, however, the situation remains as volatile as ever. Even if Mrs Gro Harlem Brundtland, the country's new Labour Prime Minister, manages to piece together a majority for her first dose of bitter medicine promised in the revised budget next month, there are already fears that a new crisis will blow up in the autumn when work begins on the full budget for 1987.

There must also be a major question mark over the willingness of her supporters to stomach too harsh a dose of austerity. It is little more than six months since the general election, when Labour, together with its left-wing ally, the Socialist Left Party, surged to the brink of victory with an expansive platform that promised increased spending on health and social services, ambitious public works projects and other expensive reforms such as a lowering of the retirement age.

Wage claims

One of the earliest challenges for the Government's economic policies could also come from the ranks of its own supporters in the unions. Public sector workers are pushing for wage increases way out of line with the devaluation strategy which will stand or fall on the Government's ability to control the inevitable surge in inflation.

Mrs Brundtland warned on Sunday that no compensation for the devaluation can be allowed in wage settlements, but she faces a tough fight in the public sector to make the warning stick. After the biggest industrial conflict Norway has seen for more than 50 years, workers in the private sector had already pushed through a settlement that looked decidedly inflationary before the devaluation and was expected to increase wage costs by more than 8 per cent this year.

The new Prime Minister could hardly have chosen a more difficult moment to move into the driving seat. During several years of sharply rising revenues from North Sea oil and gas production Norway has enjoyed a period of unparalleled prosperity.

Exports of oil and gas have produced a buoyant surplus on the current account of the balance of payments in each of the last six years, disguising the rapid deterioration in the trade balance of mainland Norway, and allowing imports to surge to satisfy a boom in private consumption.

Income taxes have been cut, but public expenditure has still risen in relation to gross domestic product, as expansive economic policies have reinforced the recovery that was already under way.

Warning voices were heard, not least from the central bank, but the political situation made it increasingly difficult for Mr Kaare Willoch's Conservative-led three-party coalition to take action to stop the economy overheating.

As long as the oil price and the US dollar held up reasonably well, the Willoch government—and indeed Norway—appeared able to carry on with lavish economic policies.

Gross national product jumped by close to 4.5 per cent last year fuelled by an increase of more than 8 per cent in private consumption. Real wages were rising strongly and bank lending hugely over-shot government targets with an increase of more than 35 per cent, while the money supply rose by 16.5 per cent. The spending binge continued into this year.

At the same time the growth in employment was very high, with a rise of 2.7 per cent, the biggest annual increase in the whole post-war period. By last January unemployment was down to only 1.8 per cent of the workforce.

All this was only possible, however, at the cost of Norway becoming uncomfortably dependent on the oil sector, which has grown in importance over the past decade to a point where it accounted last year for a fifth of gross national product, 37 per cent of total export earnings and 21 per cent of central government income.

The dramatic slump in the oil price, exacerbated by the fall in the dollar's value, has suddenly threatened to pull the rug from under Norway's prosperity, however.

For the first time in the 1980s the current account has slumped into deficit. Last year's surplus of NKr 26bn (£2.4bn) could be transformed into a deficit of NKr 30bn (£2.8bn) this year (if oil prices average $15 a barrel) and NKr 45bn in 1987, according to dire forecasts from the Willoch Government.

At $15 a barrel, Norway would lose export earnings of NKr 190bn and the Government revenues of NKr 120bn over 1986-89 compared with the long-term budget forecasts made only a year ago.

After a spring of heavy labuor unrest and weakening political leadership speculation against the Norwegian currency began in earnest a few weeks ago as a devaluation, sooner or later, began to appear inevitable. The outflow of currency from the country turned into a flood.

Oil wealth

In spite of the crisis it must be remembered that the recent years of oil wealth have given Norway an enviable cushion of exchange reserves to help it bridge its problems.

If oil prices stay at current levels for any length of time this safety margin will quickly be eaten away, however, and then the structural problems of mainland Norway will be rudely exposed.

Its competitive sector is too small without the cushion of oil revenues, it has been losing market shares at home and abroad, its costs are too high, there has been too little restructuring, parts of manufacturing industry are too dependent on the oil sector, where development prospects are dismal beyond 1987. Important sectors, such as fisheries and agriculture, can only be maintained at their current levels through heavy state subsidies.

It is these structural problems that represent the real challenge for the incoming Government in getting to grips with the economy, but it hardly has the parliamentary support to try more than first aid measures.

Outlook gloomy for inflation in France

By David Housego in Paris

INFLATION will fall less rapidly in France than in its main European trading partners over the coming months, according to the state statistics institute Insee.

Its latest forecast sees the renewed widening of the inflation gap with West Germany in particular as being due to the combined effects of the devaluation of the franc in March, the increase in public sector tariffs and the freeing of industrial prices.

The institute predicts a year-on-year inflation rate of 2.8 per cent by the end of December, compared with a government forecast of 2.3 per cent — explaining the 0.5 per cent difference by a renewed rise in oil prices at the end of the year.

The 2.8 per cent compares with an anticipated 1.5 per cent before the devaluation and the change in government policies, and a 4.7 per cent inflation rate at the end of last year.

Though it expects the fall in oil prices and the dollar to boost economic activity and the trade and current accounts, Insee paints a gloomy picture of industry's competitiveness. France will continue to lose market share in manufactured goods this year, it says, mainly because of inadequate investment and a mis-match between the goods its industry is procluding and the pattern of world demand.

Insee forecasts a FFr 27bn (£2.5bn) trade surplus this year—after a FFr 30bn deficit last year on a comparable basis —mainly as a result of a FFr 75bn drop in the imported energy bill. But it says that this overall improvement conceals a decline in France's surplus in manufactured goods which will fall from FFr 89bn in 1985 to FFr 70bn this year.

The current account, which was only marginally in surplus last year, is expected to show a FFr 50bn surplus.

The institute believes that fixed capital investment outside the housing sector will rise by only 2 per cent in real terms against 2.2 per cent last year. It believes the main impediment to fresh investment is the high real rates of interest in France compared with the returns on industrial investment.

AMERICAN NEWS

David Owen reports on a long running battle for power in Windy City

Chicago's mayor grasps a shaky helm

ON JANUARY 3, 1900, a team of city engineers completed the task of making the Chicago river flow backwards. The supporters of Mr Harold Washington, Mayor of Chicago, believe he is at last close to achieving the political equivalent.

The victory of both candidates sponsored by the Mayor in aldermanic election run-offs on April 29 should enable him to wrest control of the city council from Mr Edward R. Vrdolyak and the ageing Chicago Democratic machine for the first time since he took office three years ago.

Mr Washington now has the casting vote in an evenly divided 50-member all-Democratic council. Until March, Mr Vrdolyak had controlled 29 aldermanic votes to Mr Washington's 21—a majority which enabled "Fast Eddie" to stall scores of key Washington appointments, effectively hamstringing the incumbent black Mayor.

Many believe this shift marks the beginning of the end for the white-dominated Democratic machine—for decades the dominant force in Chicago politics. Carefully nurtured by Mayor Richard J. Daley during a 22-year reign ended only by his death in 1976, it worked by harnessing far-reaching patronage powers to bestow favours in return for support in the polling booths. "Vote early and often" was the catch-phrase of the machine's heyday.

After a bitter and protracted struggle dubbed "Council Wars" by local commentators, the breakthrough for Mr Washington came with a court ruling that seven Vrdolyak-controlled wards, in predominantly poor black and Hispanic areas, should be redrawn.

The pretext was gerrymandering in the wake of the 1980 US census. In the resulting March 18 elections, Mr Washington won two of the four seats he needed to transform the balance of power, securing the other two in the run-offs.

While this may be a big step forward for Mr Washington, he will have to move fast, if he is to capitalise fully on his new wafer-thin majority. His four-year mayoral term ends in March 1987. All 50 aldermen will also be up for re-election.

With so much stalled political legwork to plough through, he can hope to do little more than construct a convincing election platform in the time that remains. Without the support he received in the newly re-drawn wards, he would have faced an uphill task for re-election on a patently unconvincing "What a great job I'd have done if only Vrdolyak had let me" ticket.

Even now, his control is not assured. Both sides are lobbying feverishly to swing the 25-25 council split. Mr Vrdolyak's faction is reported to be courting at least two aldermen, who have consistently sided with the Mayor. Mr Washington's supporters in a display of typical Chicagoan one-upmanship—have swapped the "25 Plus 1" badges they were sporting last week for a "27 Plus 1" logo, hinting at defections from the former majority camp.

Failing persuasion, Mr Vrdolyak's supporters are weighing a return to court to dispute a number of "grey" areas, such as whether the Mayor can bring his casting vote to bear on "internal" council matters.

This may hold up Mr Washington for a few more vital months, but observers feel such moves may be withdrawn. The backlash then could engender in a public exasperated with council squabbling may be perceived to outweigh any short-term benefit.

As the struggle for power has continued, chronic problems, such as the city's shrinking industrial base, the rise in unemployment, and the widening budget deficit, have been festering backstage. It remains unclear how this year's $78m budget deficit will be met and some fear that next year's deficit may reach $150m because of reduced federal aid.

Waiting in the wings is Ms Jane Byrne, Mr Washington's immediate mayoral predecessor. She is sporting a campaign button wishing "a plague on both their [Washington and Vrdolyak] houses," which could make her a formidable opponent in any Democratic mayoral primary.

Mayor Washington—in the ascendant

In the event of a Byrne-Washington contest for the Democratic nomination, the spotlight would again fall squarely on Chicago's 600,000 Hispanics — the prime beneficiaries of the recent ward restructuring. After years of under-representation (they constitute 17 per cent of the city's population, though only 7 per cent of its registered voters), they can now boast four council members, up from only one before the last round of aldermanic.

Assuming that most blacks vote for Mr Washington and most whites for Ms Byrne, the Hispanics may well hold the balance between the two. The Mayor is well aware of this. In June, he plans to attend a conference in Puerto Rico, stopping over in Mexico on the way back.

Mr Washington is currently riding the crest of a wave, but he has a long struggle ahead to consolidate his hard-won advantage. His recent aldermanic successes have provided a welcome boost but he cannot be sure of having reversed the flow of Chicago's political river until he is safe inside City Hall with another four-year term and a more decisive council majority.

Mexico closes state-owned steel plant

By David Gardner in Mexico City

THE MEXICAN Government has closed down Fundidora Monterrey, one of the three main state-owned steel companies, in the first real test of its politically controversial intention to privatise or liquidate loss-making public sector industrial companies.

The state took a 79 per cent stake in Fundidora, the oldest steel company in Mexico, when it ran into financial problems in 1978. Its losses last year were put at $300m and it was unable to meet foreign debt obligations of $380m.

The decision at the weekend to close the company appears to have been taken without prior consultation with the combative steel unions, who have launched two major strikes in the last nine months. Troops were guarding the plant over the weekend to prevent any attempt at occupation by its 9,000 workers.

The move is seen as the first step in the reorganisation of the state steel sector which produces three-quarters of total steel demand, currently running at between 5.5m and 6m tonnes a year, against average demand of 8.8m tonnes in the boom years of 1979-82. Fundidora's output was just under 1m tonnes a year.

Attention is now focussed on two other large state steel producers, Altos Hornos de Mexico and Sicartsa. The $3bn second stage of Sicartsa, for which Davy McKee of the UK is building a £350m steel plate mill, has been stalled at the half-way stage through lack of Mexican Government finance.

Redundancies are expected at some Altos Hornos plants while the Government is hoping to attract major Japanese equity participation in Sicartsa, probably through the NKK Group, with which it has been negotiating for over a year.

The state steel sector has total domestic and foreign debt of around $2.7bn requiring massive budget transfers to meet financial costs averaging around half the value of sales. Another $1.5bn has to be found to complete the second stage of Sicartsa.

Shultz to fight proposed State Department cuts

BY REGINALD DALE, US EDITOR IN WASHINGTON

AN ANGRY Mr George Shultz, the US State Secretary, is to "drop everything else" this week to fight sharp congressional cuts in funds for his department that he believes could seriously undermine US foreign policy.

Mr Shultz, who made an impassioned attack on the cuts on his way back from a 17-day trip to Asia at the week-end, is particularly concerned at Congress's failure to provide enough funds to protect US diplomats and embassies from terrorist attacks.

The Republican-controlled Senate has proposed only $891m to improve embassy security in the coming budget year, slashing an Administration request for $1.4bn as the first instalment of $4.4bn five-year programme. The Democrat-controlled House has approved $1.1bn.

"One of these days, there'll be another tragedy at some embassy," Mr Shultz warned. "Then they'll come around and say you were derelict in your duty because all those people got killed, and I'm going to say I'm not derelict in my duty. You're derelict in your duty because you wouldn't appropriate the money to provide for the security of people who are doing this country's business."

Describing the cuts as "a tragedy for US national security interests," Mr Shultz warned that they could not only lead to the closing of some foreign posts and reductions in official travel, but could also deal a damaging blow to the overall US foreign aid programme.

The Senate has proposed cutting the Administration's policy budget from the $22.6bn requested to $17.6bn, and the House to $17.9bn. Mr Shultz said that while there would be no cuts in aid to Israel and Egypt, which account for nearly one-third of the State Department's budget, there would be a severe squeeze on funds for other countries in Africa, Asia, the Caribbean and Latin America.

"People seem to have the idea that money spent abroad is a gift," Mr Shultz said, but the US in fact got "tremendous mileage" out of it. He planned to "scream" about the cuts in the coming days on Capitol Hill, where a House-Senate conference committee has still to agree on the final figures.

King in US to lobby for IRA extradition treaty

BY OUR FOREIGN STAFF

MR TOM KING, the British Government's Northern Ireland Secretary, yesterday began a round of talks in Washington aimed at securing Senate approval for an extradition treaty that would make it harder for IRA terrorists to find sanctuary in the US.

Mr King flew to Washington on Sunday without previous announcement, and was due to meet leading Irish American politicians, including Senator Edward Kennedy and Mr Thomas "Tip" O'Neill. He will also meet officials at the State Department, the FBI, and trade union leaders.

The Senate Foreign Relations Committee is set to resume discussions on the proposed US-British extradition treaty tomorrow.

The treaty, which would make easier the extradition to Britain of suspected Northern Ireland terrorists, is strongly opposed by some Congressmen, particularly those with Irish-American interests.

Democrats on the Senate Foreign Relations Committee have been seeking to weaken the provisions of the treaty by excluding from automatic extradition those accused of mounting terrorist attacks on military targets.

President Ronald Reagan, who backs the treaty, has been lobbying Congressmen for support.

Mr King warned yesterday that Britain would find it "incredible" if the Senate failed to ratify the treaty.

He stressed Britain's support for the recent US attack on Libya.

Quebec to seek veto on change to constitution

QUEBEC, the French-speaking province of Canada, will try to regain its traditional veto over constitutional change in Canada in negotiations expected to start with the federal authorities in Ottawa later this year, Robert Gibbens reports from Montreal.

The Quebec provincial government of Mr Robert Bourassa, in office since last December, made this clear in public statements by the premier and other Quebec ministers. The Bourassa Government came to power last December after the Liberals had defeated a separatist Parti quebecois government. Though federalists, the Quebec Liberals will want Ottawa to give a formal recognition that Quebec is a "distinct society" within Canada.

Canadian Minister for Industry resigns

BY BERNARD SIMON IN TORONTO

CANADA'S Industry Minister Mr Sinclair Stevens resigned yesterday in the wake of growing allegations involving his private business affairs.

Prime Minister Brian Mulroney accepted Mr Stevens' resignation and appointed Mr Dan Mazankowski, Transport Minister, as acting Minister of Industry.

Mr Mulroney also agreed to Mr Stevens' request for an inquiry into the conflict of interest charges against the minister.

Mr Stevens is the fourth federal cabinet minister to resign since the Progressive Conservative government came to office.

Mr Stevens' resignation became increasingly likely in recent days as opposition parliamentarians and the media became increasingly critical of his conduct.

The criticism centres on a C$2.6m (£1.3m) interest-free loan which Mr Stevens' wife received for an ailing family business from a co-founder and substantial shareholder of Magna International, a leading Canadian car parts company which has received substantial financial assistance from Mr Stevens' Department of Regional Industrial Expansion.

Mr Stevens, who spearheaded last year's far-reaching relaxation of restrictions on foreign investors in Canada, has maintained that he knew nothing about the loan. In line with ministerial conflict-of-interest guidelines, he placed his business assets in a blind trust.

US oil rigs in operation decline to 30-year low

BY WILLIAM HALL IN NEW YORK

THE NUMBER of oil drilling rigs operating in the US has fallen to its lowest level since World War II according to Hughes Tool, which keeps some of the most closely watched statistics on the level of activity in the US oil industry.

Hughes Tool, a major supplier of drilling bits to the industry, said yesterday that the number of operating rigs fell by 19 last week to 809. A year ago 1,901 drilling rigs were in operation throughout the US, and at the peak of the oil and gas boom at the end of 1981, some 4,350 rigs were operating.

Meanwhile, a survey conducted by the American Petroleum Institute (API), the trade association for the US oil industry, forecast that US oil production would drop by 30 per cent, or 2.7m barrels a day (b/d) by 1991, if world oil prices were to stabilise at around $15 a barrel.

Based on a survey of over 21 leading US oil companies, API says that if the price of oil was to stay at $15 a barrel US oil production would drop from 8.9m b/d in 1985 to 8.0m b/d in 1987 and 6.2m b/d in 1991.

Natural gas production, which totalled 17.2 trillion (million million) cubic feet in 1985 would drop to 16.8 trillion cubic feet in 1987 and 13.3 trillion cubic feet by 1991 based on the same price assumption. The API approached leading US oil companies in March to determine their response to various levels of world oil prices.

OVERSEAS NEWS

Gandhi appoints Sikhs to key Cabinet posts

BY K. K. SHARMA IN NEW DELHI

INDIA'S Prime Minister, Mr Rajiv Gandhi, yesterday gave two key positions in his Cabinet to Sikhs in an effort to placate the estranged Sikh community of the Punjab.

He appointed Mr Gurdial Singh Dhillon, a former speaker of the lower house of parliament, as Minister for Agriculture and made Mr Buta Singh, hitherto Minister of Agriculture, Minister for Home Affairs.

Mr Gandhi's move is unlikely to be welcomed by Sikh militants who have already excommunicated Mr Buta Singh because of his support to the ruling Congress-I and its policies. However, the gesture is expected to be appreciated by the majority of Sikhs in Punjab who are moderates, especially as the Home Minister deals with relations with the states and internal security.

Mr Gandhi appointed 12 new ministers, most of them at junior level. They include three women as part of his policy to raise the status of women, many of whom have been given senior posts in the Government and in the civil service in the past year.

Mr Gandhi dropped Mr Bali Ram Bhagat as Minister of External Affairs after he had held this post for less than four months, mainly because of an unimpressive performance in this period. In Mr Bhagat's place, Mr Gandhi made a close confidante, Mr Shiv Shankar his Foreign Minister (who will also head the Commerce Ministry). No change in foreign policy is expected.

Other notable changes include the introduction of Mr Mufti Mohammed Sayed, president of the Congress-I Party in Kashmir, as Minister for Tourism. Mr Ghandi has thus given representation to a sensitive and politically unstable state where his own party is being challenged by a strong regional party, the National Conference.

Mr Gandhi's Cabinet now has a strength of 58, the largest since he became Prime Minister in October, 1984, when his mother was assassinated.

Eminent persons group returns to S. Africa

BY ANTHONY ROBINSON IN JOHANNESBURG

THE Commonwealth "eminent persons group" (EPG), set up after last October's Commonwealth summit in Nassau, returns to South Africa today for another round of consultations. They are aimed at facilitating negotiations between the South African Government and representative black leaders, including the banned African National Congress (ANC).

The EPG made its first visit in March when two of its members, Gen Olusegan Obasanjo of Nigeria, and Mr Malcolm Fraser of Australia, were permitted to meet Mr Nelson Mandela, leader of the ANC in Pollsmoor prison.

The group kept a low public profile during its first visit, avoiding contact with the Press and concentrating on meeting as wide as possible a cross-section of South African opinion, both black and white.

This discreet approach helped to raise the EPG's standing in the eyes of a sceptical South African Government that is not prepared to contemplate a Zimbabwe-style Lancaster House-type solution to its problems but is anxious to head off the risk of stronger Commonwealth sanctions by co-operating with the EPG.

In an exchange of letters with government leaders after its first visit the EPG made clear its belief that the Government should release Mr Mandela and other jailed leaders, allow the return of exiled leaders and start negotiations for a non-racial, democratic future.

Part of the task of the seven member EPG will be to assess the degree of flexibility and readiness to negotiate of the Government

Chance Botha may take, Page 19

Unita asks Zambia to keep out Angolans

Leaders of Angola's Unita rebels yesterday urged Zambia not to allow Angolan government forces to use its territory as a base for an offensive against guerrilla strongholds, Reuter reports from Lisbon.

The Central Committee of Unita (National Union for the Total Independence of Angola) said in a statement distributed in Lisbon that it had information about "provocative movements" of Angolan and Cuban forces on the Zambian side of the border next to the Angolan provinces of Mexico and Cuando Cubango.

Unita, led by Dr Jonas Savimbi, has fought Angola's Marxist government since independence from Portugal in 1975, and says it is expecting a big Cuban and Soviet-backed government offensive.

But Western diplomats expressed surprise at the suggestion that Angolan and Cuban forces might launch the attacks against the rebels from Zambian territory and with the co-operation of the Zambian government.

Nepalese vote

The Nepalese went to the polls yesterday to choose a new National Assembly, despite a call from most of the Himalayan kingdom's outlawed political parties that the elections be boycotted, AP reports from Katmandu. A total of 1,548 people are running for 112 seats of the 140-member one-house legislature. The other 28 members of the assembly will be nominated by King Birendra.

The general election is the second in the 25-year history of the Panchayat system, which does not allow political parties to function in the country.

Iran warns

Iran's Navy Commander, Mohammad Hossein Malekzadegan, said yesterday Iranian naval units would take action if US and French warships continued to interfere in daily checking by Iran of Gulf shipping for Iraq-bound goods, Reuter writes from Tehran.

Andrew Whitley reports on risks of Mideast military adventures

War talk grows in Syria and Israel

THE Middle East—and, indeed, the world—owe much to the alert El Al security guard at London's Heathrow Airport who on April 17 foiled an attempt to blow up an Israeli Boeing 747 and its passengers numbering nearly 400.

If the planned terrorist outrage had been successfully carried out, the pressures for massive retaliation against those responsible would have been irresistible. The Syrian complicity indicated by the expulsion at the weekend of three Syrian diplomats by the Foreign Office would logically have meant that the target for revenge would have been a Syrian one. The result could have been full-scale war—following months of speculation about the chances of the two countries coming to blows—and an uncontrollable chain reaction in the region.

At the weekend Israeli officials lead by Prime Minister Shimon Peres made a determined effort to play down the war talk which had been building all week in Israel and abroad. Nerves had been frayed by bellicose anti-Syrian remarks made by Mr Yitzhak Rabin, the Israeli Defence Minister, in Washington, echoing those of US Vice President George Bush. Both spelt out clearly Syrian involvement in international terrorism.

Tensions between Israel and Syria had, even before the US bombing raid on Libya and the El Al incident, been steadily rising since the crisis in December when Syria moved anti-aircraft missiles on to Lebanese territory.

Israelis construct a plausible turn of events, whereby growing domestic difficulties within Syria, both economic and political, coupled with President Hafez al-Assad's own uncertain health would convince the embattled Syrian leader that the time was becoming ripe to launch his long promised attempt to recapture the Israeli occupied Golan Heights.

President Assad of Syria (left) and Prime Minister Peres of Israel: very different perceptions.

Tension between Israel and Syria had been steadily rising since December when Syria moved anti-aircraft missiles on to Lebanese territory

"It is not a question of if, but when," a senior Israeli Syria-watcher warned grimly recently. "We know Assad is not prepared to go down in Syrian history as the man who lost the Golan."

But from the other side of the barbed wire rolls and mine fields which run all along Israeli's eastern frontiers with Jordan and Syria, the perception—shared by Arab officials and Western diplomats alike—is very different.

Despite his fundamental hostility to Israel, and the massive reinforcement the Syrian armed forces have received in recent years, Western diplomats in Amman and Damascus believe President Assad cannot afford to risk a military adventure at this time. If it were to fail, it would be catastrophic for his own position—and, possibly, also that of the ruling Alawite minority in Syria.

Much more credence in the Arab world is given to the view that Israel, encouraged by the forceful condemnation by Washington of the "Syrian hand" behind recent terrorist attacks, would seize the chance to do something it has long been itching to do. This is to bomb the headquarters in Lebanon's Beka'a Valley of the Abu Nidal terrorist faction and the Shi'ite fundamentalist Hezbollah militia, together perhaps the most dangerous of all Israel's many foes.

By itself a limited strike of these dimensions would not be regarded by Syria as a signal for all-out war, a top aide to King Hussein of Jordan said in Amman on Saturday.

"The Syrians might loose off a few of their (S-5 ground to air) missiles from their side of the border," he said. But the confrontation would be containable.

What would be much less predictable would be the response from Damascus if, in the course of such an attack, nearby Syrian troop and armour concentrations stationed in the Beka'a were also hit.

Ascending the scale of war risks, what the Arabs fear most however is that Israel, emboldened by the current strongly anti-Syria tide of opinion in the West, just might seize the moment to try to eliminate the potent threat to its cities from Syrian long-range SS-21 missiles nestling menacingly just over the border.

How Syria responds to any Israeli attack will depend on three factors, the senior Jordanian official said. First, where the hit takes place; second, how large a hit it is; and third, how thin or strong the pretext.

Taiwan to allow more effective opposition

BY ROBERT KING IN TAIPEI

TAIWAN'S RULING Nationalist Party has taken the first tentative step towards tolerance of a viable united opposition since its flight from mainland China almost 40 years ago.

The move came over the weekend as several delegates from the Nationalist Party, or Kuomintang (KMT), met leading opposition politicians, who had announced plans to set up branch offices around the island under the mantle of the recently created Tangwai research association for public politics.

The KMT has since 1949 banned the establishment of new political parties in Taiwan, citing the need for social and political stability in light of a perceived threat from Communist China. Sporadic attempts in the past to unite the fragmented opposition under one banner have been unsuccessful —either because the opposition itself has not been able to agree on a united platform or because the KMT-dominated Government has brought pressure to bear through the provisions of martial law.

Many in the KMT feared that the establishment of branch offices marks an attempt to unify and ultimately oppose the party. But KMT representatives at the meeting on Saturday approved the new offices. The two sides also agreed to work for implementation of the constitution (many of whose guarantees have been eroded under martial law) and for maintenance of political harmony.

Some observers have attributed the ongoing dialogue to Taiwan's president, Chiang Ching-kuo, who last week instructed the KMT to strengthen its rapport with the public and mend its fences with the opposition.

Opposition parliamentarians have grown increasingly vocal in recent months in their criticism of government policy.

Israeli bank chief resigns

By Andrew Whitley in Tel Aviv

MR ERNEST JAPHET, chairman and chief executive officer of Bank Leumi le-Israel, the country's leading bank, has announced his resignation, following last month's call by a government-appointed commission into a bank shares scandal that he and other bank heads be relieved of their posts.

Israel's senior banker, Mr Japhet, went down fighting, saying he did not accept the Beijsky Commission's findings. These were that the bankers, led by the Bank Leumi chief, had been guilty of gross conflict of interest through sustained manipulation of the stock market value of their institution's shares.

The Bank Leumi board appointed Mr Eli Hurvitz, currently president of the Manufacturers Association, the leading employers federation in Israel, as its chairman.

However, day-to-day control of the bank will be in the hands of Mr Mordechai Einhorn, Mr Japhet's former deputy.

Bank Leumi said yesterday that the Beijisky Commission's findings had "failed to seriously relate to the country's economic conditions and the changes in the domestic capital markets" during the years leading up to the bank shares "regulation"-led stock market crash of October 1983.

It said Mr Japhet was accepting the commission's ruling that he step down "with great regret." He is the second top banker to resign after the publication of the commission's report last month, following Mr Giora Gazit of Bank Hapoalim.

Qatar frees workers

Qatar yesterday freed 30 foreign workers seized 17 days ago in a dispute with Bahrain over a coral reef in the Gulf, Reuter writes from Bahrain.

The 30 men—25 Filipinos, two Thais, two Britons and a Dutchman—arrived back in Bahrain and diplomats said they were in good health.

The workers, employed by the Dutch company Ballast Nedam, were preparing the ground for a Bahraini coastguard station on the Fasht ad-Dibal reef when Qatari troops landed by helicopter and took them captive.

Indonesian reforms 'will help contain trade deficit'

By Our Jakarta Correspondent

INDONESIA'S new economic package of liberalised foreign investment and trade regulations will help to restrain any rapid expansion in the current account deficit, support real growth and promote efficiency among Indonesian companies, Dr J. B. Sumarlin, Minister for National Development, said.

Dr Sumarlin said in an interview that without the package, the current account deficit for 1986 could grow to as much as $4bn, compared with budget projections of $2.1bn.

Indonesia still relies for 70 per cent of its export earnings on oil and the collapse in the international price of petroleum has had a dramatic effect on the country's trade account.

The promotion of non-oil exports and the encouragement of foreign investment provides the opportunity for Indonesia to at least achieve the $1.2bn (£774m) current account deficit target, Dr Sumarlin said. The new package should also enable Indonesia to achieve real growth rates approaching 3 per cent this year.

This would compare with real growth of 5.2 per cent in 1984-85 and 2.3 per cent in 1985-86.

Dr Sumarlin said that Indonesia was expecting the package to provide "significant results" but quantitative projections on increased foreign investment and non-oil exports could not be produced at present.

The package would create a more competitive climate, he said.

The most important aspect of the foreign investment regulations was that foreign capital could now enter the broad spectrum of project areas, often on an equal footing with Indonesian companies. Existing foreign joint ventures with a minimum of 75 per cent of Indonesian equity would be treated in the same way as local companies. This would allow foreign ventures to obtain credits from state banks and carry out local marketing operations, Mr Sumarlin said.

The watering down of the previous blanket requirement that foreign joint ventures were 51 per cent Indonesian owned after 10 years of commercial operations meant there was "virtually no limit" on the period covering the Indonesian equity build-up. It could be 20 years or 25 years, if local investment could not be found.

Foreign joint ventures would now be required to offer shares on the capital market if direct Indonesian equity could not be found.

Previously, foreign companies could find themselves "stuck" if they were unable to find suitable local partners. "Indonesians have to learn to be as efficient as their outside partner. They might scream. But in the past they held the monopoly position," said Mr Sumarlin.

Mr Sumarlin described the reduction of minimum Indonesian ownership requirement from 20 per cent to 5 per cent, and the unambiguous 30-year guarantee of operational rights for foreign investors, as "very significant."

After the first 30 years, an extension of foreign investors' local investment would give them the right "to stay as long as they like, in effect."

Significant results also were expected from liberalisation covering the right of exporters to import certain materials duty-free.

Peter Marsh on the Republic's ability to launch satellites on a commercial basis

China aims for a showcase in space

CHINA has the capability to put into space on a commercial basis two or three satellites a year, easing the problems of Western telecommunications companies affected by the suspension of flights of the US space shuttles and Delta rockets.

That is the prognosis of Mr Roy Gibson, director general of the British National Space Centre, who has kept a close watch on developments in China's fledgling space industry and who has visited the country four times.

According to Mr Gibson, China's offer to launch Western satellites with its heavy-duty Long March 3 rocket is "entirely credible." He said yesterday that he had become increasingly impressed with China's space efforts since his first visit to the country in 1975.

According to a report in China Daily, China has gained its first launch order from the US in the shape of a memorandum of understanding with Terasat, a company in Houston, Texas, to put two satellites into space.

China started its developments in space technology in the 1960s, initially with help from the Soviet Union. It has launched with its own rockets about 17 satellites, most of them for scientific research or military reconnaissance.

The rockets are derived from China's long-range missiles for carrying nuclear bombs.

China offered last year to take satellites into space on a commercial basis. It says it will undercut the prices charged by the US National Aeronautics and Space Administration, operator of the shuttle and the Delta rockets, and Arianespace, the French company selling launches on Western Europe's Ariane rocket.

China already has a reservation from the Swedish Space Corporation for lifting into orbit Mailsat, a small telecommunications vehicle. It is expected to charge $20m (£12.9m) to $25m to launch a 1-tonne satellite, some 15 per cent less than Arianespace and Nasa.

According to Mr Gibson, the main motivation by China in launching Western satellites is not so much to earn foreign exchange as to demonstrate to the world its capability in advanced technology.

He said that transporting satellites from the West to China's launch sites—the main one is in Xichang in central China should not be a problem. But the country may be hampered in obtaining further orders by the lack of facilities for integrating the delicate electronics in modern satellites with launch vehicles.

Over the next few years, telecommunications companies and governments are due to launch between 10 and 20 communications satellites a year.

The world's launch capacity has been cut due to the suspension of Nasa's shuttle and Delta flights after recent launch failures. Arianespace, meanwhile, has a full order book.

Most of China's launches have been with relatively low-power rockets which have placed satellites into low orbits a few hundred kilometres above the Earth. In recent years, however, China's Ministry of Astronautics has finished development of the Long March 3, a three-stage vehicle which can lift payloads into the geostationary orbit 36,000 km above the Earth, the most popular place for telecommunications satellites.

Long March 3: broadly comparable in lift capability with Delta

The rocket, which derives much of its lift capability from a powerful third-stage engine burning liquid hydrogen and liquid oxygen, has injected into this orbit experimental communications satellites. Later versions of these are due to provide telecommunications links, and posibly TV broadcasts direct to roof-top receivers, over China's vast territory.

China's work on the liquid hydrogen/oxygen motor has won the admiration of aerospace experts in the West. The US uses such motors (albeit far more powerful ones) in its space shuttles. Similar engines power the third stage of the Ariane rockets, which were developed by the 11-nation European Space Agency before being handed over to Arianespace for commercial exploitation.

The Soviet Union, which has also indicated an interest in using its rockets to lift commercial payloads for the West, has still to demonstrate that it can master the difficulties of such engines. Motors which use this technology provide a great deal of thrust for a relatively small amount of fuel.

In terms of lift capability, the Long March 3 is broadly comparable with Delta. Both can lift a satellite of about 1.2 tonnes to the geostationary orbit. Ariane can take two such vehicles into space, while a shuttle has room for three.

Europe forecast to continue lagging in high technology race

BY CHRISTIAN TYLER, TRADE EDITOR

EUROPEAN attempts to match the US and Japan in the field of high technology are probably a waste of time, according to calculations made by a group of Norwegian economists.

Their computer model of the world economy shows that western Europe will remain a "jack-of-all trades" in the world trading system until the end of the century whether protectionism increases or abates.

The US advantage in high technology goods will go on increasing, at the expense of America's other industrial activities. Meanwhile, the developing countries will continue to enjoy and exploit their comparative advantage in labour-intensive production.

Japan and west Europe will be left as the two main competitors in capital-intensive manufactures and in areas like metals, chemicals and transportation.

They will have to fight for market share as "residual suppliers" in the world economy, said Professor Victor Norman, leader of the Norwegian group.

Europe's future will be determined not from within, as policymakers suppose, but by external factors. One of the most important influences on the balance of European production, he said, will be Japan's savings ratio.

If Japanese savings continue to decline, Japan's high-tech industries will further squeeze European ambitions. If they recover, Japan will compete more on capital-intensive production.

"Europe is anonymous and adaptable," Prof Norman said. "We tend to look at Europe alone, instead of looking at the rest of the world with Europe in it."

The computer model of world production and trade developed by the Norwegian School of Economics showed that rapid transfer of technology would reinforce, not alter, the present industrial trends.

If trade protection in the world increased, the cost would be borne mainly by West Europe and the trends would be slowed, but not changed.

If on the other hand protection was halved and capital flows between regions increased and the technology gap between rich and poor nations closed, the trends would become more, not less, pronounced.

Prof. Norman is professor of international economics at the Norwegian school

Wardair to operate Airbuses

By Bernard Simon in Toronto

WARDAIR, the Edmonton-based airline, is to become the first Canadian carrier to operate the European Airbus following its purchase of three used A-300 models for C$120m (£57.1m) from South African Airways.

Wardair, best known for charter flights in North America and between Canada and Britain, recently began scheduled trans-continental services within Canada. The airline was designated Canada's second scheduled carrier for UK services last year.

The 250-seater Airbuses, to be introduced in August, will be used on domestic scheduled services and charter flights to the US and Caribbean.

Wardair ordered six A-310 models five years ago, but cancelled the order during the last recession. The airline said it plans to sell two of its four Boeing 747s.

Reuter adds from Paris: The European Airbus Industrie consortium said yesterday that the Jordanian national airline, Alia, had signed a contract to buy 12 Airbus passenger jets and take options on a further seven.

Alia is buying six A310-300s, which will seat 191, to be used on medium- and long-haul Boeing 707s. It is also buying six of the smaller A320 narrow-bodied jets, which will replace Boeing 727s on routes within the Middle East, an Airbus statement said.

Alia announced in March its intention to buy the 12 Airbus aircraft.

European groups invited to compete in South Korea

BY HAZEL DUFFY

EUROPEAN companies were urged yesterday to become more involved with the South Korean market. Mr Woo-Choong Kim, chairman of the Daewoo industrial group, told the Management Conference of European Businessmen in Barcelona that Korea was keen to diversify its trade to reduce its dependence on the US and Japan.

"I believe European businesses have been slower off the mark than North American in seizing opportunities," he said. "I see the strongest export potential for European companies in middle and high technology industries. This applies especially to European companies willing to tie the supply of parts, machinery or entire systems to border manufacturing or technology-transfer agreements."

Imports of consumer goods and food products by South Korea would also increase as the country progressively reduced its tariff rate on these items and manufactured goods. Greater access by foreign companies providing financial services were also promised.

Mr Kim predicted that the insurance market in South Korea would be opened up by 1988 and he drew attention to the fact that Daewoo will be floating $40m of convertible Eurobonds in European markets this year.

American groups may build Greek fuel plant

BY ANDRIANA IERODIACONOU IN ATHENS

ENERAL ELECTRIC and onsolidation Coal of the US ve expressed interest in ilding a $250m (£161m) coal ification plant in Greece.

he announcement came at end of a round of talks in s on industrial co-operation etween the Greek and US ments.

talks were aimed at g up a clause for Greek- nce and industrial co- included in the five ence and Economic Co- Agreement which for the operation of the American military bases in Greece and was signed by Athens and Washington in 1983.

Greek Economy Ministry officials say the coal gasification project will provide fuel for use by the state-run Public Power Corporation which will be directly involved in negotiating terms with the two American companies.

The US side is to finance a $1m feasibility study for the project. The study cost will be shared by the interested companies and the US Government through its trade and development programme.

UK NEWS

MPS PRESS FOR PARTY COMMITMENT ON NUCLEAR ENERGY

Labour 'should scrap N-power'

BY MICHAEL CASSELL, POLITICAL CORRESPONDENT

A CLEAR commitment by the Labour Party to phase out nuclear power in the UK was yesterday urged by Mr Tony Benn and Mr Eric Heffer, two of the party's leading left-wing and anti-nuclear figures.

The call for clarification of Labour policy came in the wake of the Chernobyl accident and on the eve of today's House of Commons debate on the civil nuclear industry, which is certain to highlight misgivings and divisions of opinion over nuclear policy, which are present in all the main parties.

The Benn-Heffer initiative is designed to reinforce the Labour Party conference call last year to phase out nuclear power, which failed to win the two-thirds majority needed to see it included in the party's programme.

Dr John Cunningham, Labour's environment spokesman, supports continued civil nuclear development, but wants an end to the secrecy surrounding nuclear power as well as tighter controls on the handling of waste.

In a memorandum to the party's national executive committee, Mr Benn and Mr Heffer argue that Chernobyl now makes it vital for Labour to clarify its policy and to explain how it would be put into effect if the party forms the next government.

The document claims that the development of nuclear technology is nothing more than a "safe cover" for nuclear weapons, that it is more expensive than coal and that it carries inherent dangers which have recently been demonstrated by the Soviet calamity.

It adds: "To pretend that we are exempt from the risks is to deceive people, and human error as well as design faults could happen anywhere."

Mr Benn and Mr Heffer describe the nuclear reprocessing plant at Sellafield, north-west England, as "still a military installation." The party's commitment to close down the nuclear weapons programme will, they say, remove the reason for its existence.

They call for the cancellation of the planned £1.3bn pressurised water reactor at Sizewell in Suffolk — which is likely to meet with the approval of the party

Mr Peter Walker, the Energy Secretary, yesterday refused to delay a decision on the construction of a new generation of nuclear power stations because of the disaster at Chernobyl.

He insisted that a decision on a pressurised water reactor at Sizewell, on the east coast of England, would be taken "in the normal way" after the publication of the report of a public inquiry.

Hattersley to outline spending framework

By Peter Riddell

AN INCOMING Labour Government would produce a medium-term economic strategy including a tough framework for public spending.

In a speech today, Mr Roy Hattersley, Labour's deputy leader and economic spokesman, will [illegible] the priorities of the party's programme.

Addressing the conference of the TSSA, the railway staff union, Mr Hattersley will talk more specifically than the Labour leadership has before about plans for a tough framework for public spending which sets out priorities for industry, health, education and housing.

"We will set a rationally calculated ceiling on public borrowing, drawing up a national balance sheet and setting targets for the ratio of public debt to national income."

A Labour government would, he will say, "insist that the public expenditure and borrowing targets are maintained and that nothing allows us to be deflected from our central task of putting Britain back to work."

As soon as it was elected, a Labour government would publish a policy statement on the "medium-term economic strategy" as distinct from the present Government's financial strategy. That would describe the way in which 1m jobs could be created.

Mr Hattersley's comments come at a time of criticism by some members of the party's National Executive Committee about policy-making by the shadow Cabinet without adequate consultation.

High risk investment ruled out for Peps

By Clive Wolman

THE GOVERNMENT'S proposals, published yesterday for the operation of the personal equity plans (Pep) announced in this year's budget, contain several surprise provisions to encourage small investors and discourage their use as tax shelters for the wealthy.

Mr Nigel Lawson, Chancellor of the Exchequer, introduced the proposals in March as part of the Government's strategy to spread individual share-ownership. According to the budget proposals, shares, but not unit trust, held in personal equity plans would be free of capital gains tax and of income tax on their dividends. Individuals would be allowed to invest up to £2,400 a year in a Pep.

The more detailed proposals published yesterday – and explained to Stock Exchange member firms at a meeting last night by Mr Lawson – would allow small amounts of money to be invested in unit trusts and investment trusts rather than in the shares of trading companies.

The Unit Trust Association, which is to discuss the proposals with Treasury ministers and officials on Thursday, argued that unit trusts were the most effective way for a small investor to spread his risks across many shares.

Higher-risk investments, considered unsuitable for small investors, are ruled out by the new proposals. Those include shares quoted on the Stock Exchange's Unlistes Securities Market, which is a second-tier market for smaller companies, shares in foreign companies and options and futures.

Small investors will be allowed to build up their investment in a personal equity plan by paying monthly instalments for up to one year, during which period interest may accumulate tax-free, before the money has to be invested in shares. By contrast, investors who already own large shareholdings will not be permitted to transfer them directly into a Pep. Investments will have to be made in the form of cash payments.

Investors will also be allowed to hold small amounts of cash, of up to £500, in their Peps on a continuing basis and may hold larger amounts for short periods in between the sale purchase of shares. All the Peps will be administered by managers who will have to be authorised to carry on investment business under the financial services legislation now passing through Parliament. Employers will also be permitted to act as plan managers.

The Stock Exchange said last night that it was surprised that USM companies were to be excluded from the scheme. "The USM is a fully regulated market," it said.

Halifax to cut investment interest rates

By Nick Bunker

THE HALIFAX, the biggest building society, has broken ranks with its leading competitors and announced a cut in interest rates paid to investors. The move came three weeks after the large societies cut their mortgage rates for new borrowers to 11 per cent.

Investors' rates paid by the Halifax have been ranging from 6 per cent to about 8.5 per cent. It said yesterday that, from June 1, interest rates on most of its accounts would be reduced by 0.75 percentage points, bringing the ordinary share rate down to 5.25 per cent.

Other big building societies have not yet announced new investors' rates, in spite of preliminary figures from the Building Societies Association showing that societies attracted increased net deposits of about £700m last month, up from £657m in March.

The Woolwich Equitable said no decision had been taken yet. The Nationwide – which led the last round of mortgage rate cuts on April 18 – said it might wait until next week before setting its new rate for investors.

The delay in fixing the investors' rates reflects continued uncertainty among building societies about the trend in bank base rates.

BCal widens talks with ILG but denies possible merger

BY LYNTON McLAIN

BRITISH CALEDONIAN (BCal), Britain's largest independent airline, and International Leisure (ILG) have widened the scope of their talks on co-operation, but both groups said yesterday that the talks were still not about a possible merger. The wider discussions are about possible co-operation in hotels, tour operations and engineering.

Sir Adam Thomson, chairman of BCal, dismissed speculation at the weekend that the airline group was holding merger talks with International Leisure. The company said yesterday that there had been no discussion at all about a merger.

Mr David Coltman, managing director of BCal, said: "Absolutely nothing has been decided on any of the areas under discussion; nothing has been sought or accepted by either group."

He said that BCal was approaching the talks in a very positive way. "Here we have two successful companies, where parts of them could be more successful if they worked together." He described the talks as "feasibility studies."

ILG includes the Intasun, Global and Club 18-30 inclusive tour companies and Air Europe, its own charter airline. The BCal group includes British Caledonian Airways, Caledonian Hotel Holdings and Caledonian Airmotive, an aeronautical engineering company.

BCal and ILG have been discussing for some time possible ways of collaborating in the operation of their existing and future short-haul airliners. The aim has been to examine prospects for cross-utilisation of aircraft between charter and scheduled services in Europe to achieve a better use of the aircraft from the Gatwick airport hub.

At the moment, BCal's peak scheduled aircraft operating activity is in the mornings and late afternoon, with a midday gap. The peak activity for Air Europe tends to be towards the weekends. The talks on aircraft use reached the stage "where it made more sense to consider the aircraft fleets together than apart," Mr Coltman said.

● BCal has won approval from the UK Transport Department to operate as a British competitor to British Airways on the London-to-Japan air routes.

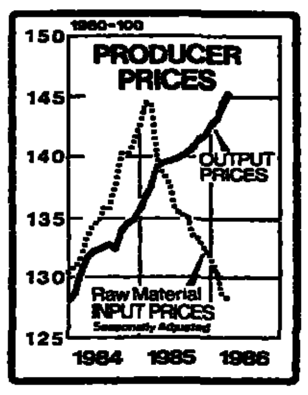
The airline has to seek the approval of the Japanese civil aviation authorities for a temporary operating permit in order to start services quickly, before permanent arrangements are made under the UK-Japan air services agreement.

مكتبة الأسد

Rise in factory prices lowest for 14 years

BY WALTER ELLIS

FURTHER indications of the falling trend in UK inflation came yesterday with the publication of producer indices for April showing a rise in *factory* prices lower than at any time for the last 14 years.



Manufacturers' output prices, taking into account labour costs, profit margins and other overheads, went up by 4.5 per cent in the 12 months to the end of April, against 4.9 per cent for the year to March.

At the same time, manufacturers' costs, reflecting raw materials and energy prices, moved down by 9 per cent in the 12 months to April after an annualised fall to March of 10.9 per cent.

This year's sharp reductions in oil prices have had a clear impact on both sets of figures and the overall decline of the dollar, in which most commodities are priced, has also had its effect.

The retail prices index for April is to be published on Friday and, partly as a result of the improvement in producer prices, it is expected to show a fall in the annual rate of inflation to about 3.5 per cent, the lowest since 1968.

Between March and April of this year, the index of output prices rose by 0.8 per cent. According to the Department of Trade and Industry, just under half that increase is attributable to changes in tobacco duties introduced in the March budget.

Input costs to industry dropped between March and April by 1.3 per cent, a figure said to reflect a seasonal decline in the cost of industrial electricity and lower costs of imported materials. Seasonally adjusted, the costs index fell between March and April by 0.5 per cent and by 8.8 per cent for the 12 months.

More small-business loans urged

BY IAN HAMILTON FAZEY

THE GOVERNMENT is so concerned that the big four clearing banks are not advancing enough money to small businesses under the revamped loan guarantee scheme that it is to ask them to advertise it nationally and step up approvals eightfold.

Mr David Trippier, the Minister for Small Businesses, began a tour of the banks by meeting Lord Boardman, the National Westminster chairman, yesterday. He will be seeing the other banks during the next few weeks.

He wants approvals for business loans under the scheme to return to 400 a month as soon as possible. That was the peak reached three years ago when the Treasury insisted on changing the rules to cut the losses it was causing the Government. The rate of take-up fell to 50 a month.

Under the scheme, the Government now guarantees 70 per cent of loans (it was originally 80 per cent) to risky new ventures, but a premium is charged to deter carefree borrowing. The premium above commercial rates was raised to 5 per cent but has now been dropped to 2.5 per cent.

There has been little sign yet of the changes having the desired effect. Mr Trippier said yesterday: "People at the top of the banks know all about the new rules – they were very worried we might drop the guaranteed portion of the loan to 60 per cent – but bank managers down the line probably do not and awareness is low among potential borrowers.

"We want to see the scheme publicised in the banks' national advertising so that small business people will go and ask their bank managers about it," he added.

Among the banks, NatWest has always been the most enthusiastic about the loan guarantee scheme, advancing more under it than all the other banks put together. If Mr Trippier persuades Lord Boardman alone, he will have already won half the battle.

Mr Trippier's actions reflect the *Government's belief that the only* way to create jobs in significant numbers before the next general election will be through encouraging faster growth of small business. He reaffirmed that earlier yesterday when launching a new type of small business fund in Leeds.

Unionist leader admits Ulster talks stalemate

BY OUR BELFAST CORRESPONDENT

MR JAMES MOLYNEAUX, the leader of the Official Unionist Party (OUP), admitted yesterday that Unionists and the British Government had reached stalemate over the Anglo-Irish agreement. He conceded that the Unionists' withdrawal from "talks about talks" with UK officials meant that undemocratic protests and violence might increase.

Speaking at his party's weekly press conference in Belfast, he said: "I believe that the two governments should declare their hand honestly and admit they are prepared to run Northern Ireland through a joint commission and that elections of any kind and elected representatives are obsolete."

He blamed the Government for the collapse of talks and said that Mr Tom King, Northern Ireland Secretary, had put the Unionist leadership in an intolerable position by saying on Friday of last week that the agreement would not be suspended to allow for negotiations.

Mr King flew to Washington on Sunday for talks with the US Administration

London offices 'among world's most expensive'

BY ANDREW TAYLOR

EXECUTIVE SALARIES and wages of office staff in London are lower than in many international centres, although the cost of office accommodation in the capital is among the most expensive in the world, according to a new survey by The Economist Publications.

The survey shows that the cost of office property in London is second only to New York, which it says is the most expensive office location of the 18 centres monitored. Geneva is the second most expensive location on overall costs, according to the study, with Paris and Frankfurt in third and fourth places respectively.

The survey includes the cost of salaries of a head of department and bilingual secretary as well as the cost of premises and a 1600cc company car. Despite the high cost of property, London, particularly in the City, is only in twelfth place on total costs. That reflects the lower salaries paid to executives and office staff.

International Transfers: £275 Economist Publications, 40 Duke St, London W1A 5DW.

Kodak to shed 900 workers as part of global rationalisation

BY LISA WOOD

KODAK, the British subsidiary of Eastman Kodak of the US, announced yesterday that about 900 of its workforce of 7,500 in Britain would lose their jobs by the end of the year.

The move follows a directive this year from the troubled US parent that 10 per cent of its global workforce of nearly 129,000 must be cut.

Kodak said the UK redundancies would cover all levels of the organisation but it gave no geographical breakdown of where the job losses would be. Kodak has four main centres of employment in Britain. They are Harrow in north-west London, where film and paper for the UK and the European continent are manufactured; Hemel Hempstead, the head office; Kirkby, near Liverpool, the chemicals factory; and Annesley, Nottinghamshire, where films are put on spools and packaged.

The company said some of the job losses would be achieved by the sub-contracting of a number of services previously performed by Kodak such as gardening and catering. "The job reductions will be achieved on a voluntary basis where possible."

Kodak said savings would be used in the funding of future investments. "The business base of the company will continue to be broadened to take account of changes in markets, customer needs and technology," it said. During the last few years Kodak has entered several new areas of operation, including the sale of photocopiers and medical equipment.

The company is the largest overseas subsidiary of Eastman Kodak, which in the first three months of this year reported net earnings, at $48.6m, to be 58 per cent below those in the same period of 1985.

"As a sizeable part of the parent company we must share some of the pain," said Kodak, which last year reported a net profit of £25m on sales of £576m, the greater proportion of which came from exports to other Eastman Kodak subsidiaries.

"The UK market is fiercely competitive," Kodak said, "and to get the earnings to invest for the future we have to get into trimmer shape."

Deadline eased for data registrations

BY RICHARD EVANS

COMPUTER USERS who have not yet registered under the Data Protection Act, and are therefore technically in breach of the law, have been given a reprieve until mid-July.

The deadline for registration by all organisations, companies and individuals in the UK that use computers to store personal information was on Sunday. Only about 110,000 had applied for registration out of an estimated total of at least 300,000.

Mr Eric Howe, Data Protection Registrar, said yesterday that in view of the last-minute rush – more than 50,000 registrations were received in the last week and more than 250,000 registration packs have been issued – he proposed to leave a review of the situation until the second week of July, when he would present his annual report to Parliament.

The Registrar also announced the launching of a series of research projects to re-check the estimate of 300,000 for the number of applications, to study how the exemptions allowed by the legislation were working in practice, and to the level of difficulty and cost associated with registration, particularly for small organisations.

"It is important to remember that the Act creates significant new rights for all of us and inevitably it places some obligation on computer users. At present, the obligation to register is apparent to computer users but, for individuals, all the benefits of the Act have not yet begun to flow," Mr Howe said.

Users of personal information who fail to register are liable to fines of £2,000 by magistrates and unlimited fines by higher courts.

BOC to invest £20m in Japanese gases plant

BY TONY JACKSON

BOC, THE industrial gases company, is to invest £20m in an air separation plant in Japan. The equipment, constructed at BOC's Cryoplants factory in North London, is being shipped to Osaka Sanso, the Japanese industrial-gases company controlled by BOC since 1983.

The plant, at Amagasaki, in central Japan, has a capacity of 500 tonnes of liquefied gases – oxygen, nitrogen and argon – a day, and replaces an older 150-tonne plant. It will supply a range of customers from frozen-food to electronics companies.

Osaka Sanso is Japan's third-largest oxygen producer. BOC said the market for industrial gases in Japan was still undeveloped, with nitrogen consumption only equal to that of oxygen. In the US and UK, three times as much nitrogen as oxygen is used.

BOC said it had been working for five years on reducing the capital and operating costs of its air-separation plants, on the principle that the key to market expansion was lower cost to the customer.

Mr Paul Charlesworth, head of BOC Cryoplants, said prices for the equipment made by the division had scarcely moved over five years. In addition, recovery of argon – much the most valuable of the gases recovered from the atmosphere – had been improved, and the energy used in liquefying the gases had been reduced.

Although BOC is one of the two largest producers of industrial gases in the world – the other being L'Air Liquide of France – it is in the second rank as a producer of air-separation equipment. The two largest suppliers are L'Air Liquide and Linde, the German company.

Minister says schools create 'unemployables'

BY MICHAEL CASSELL, POLITICAL CORRESPONDENT

MANY of Britain's schools are turning out "dangerously high quotas of illiterate, innumerate and delinquent unemployables," Mr Geoffrey Pattie, Minister for Information Technology, said yesterday.

Mr Pattie said that British industry was an important customer of the state education service and, al*though it met a large share* of the costs involved, it was not getting good value for money.

His comments come in advance of a ministerial reshuffle due to follow Sir Keith Joseph's impending retirement as Education Secretary. Mr Pattie is considered to be among the contenders for Sir Keith's job or he might take one of the posts arising from the limited reshuffle.

Mr Pattie said that, in some parts of the country, employers were desperate for young workers who could be taken on and trained, but they were finding that the products of the state education system were totally unsuitable.

The middle and upper reaches of the educational system, he added, were also failing to produce technically and technologically trained young people capable of matching the standards reached in West Germany, France, Japan and the US.

Mr Pattie said that a century ago Britain led the world in educational standards, but now it was lagging well behind.

Part of the answer, he said, lay in stimulating a revival, generated by engineers and technocrats, of the type that accompanied the industrial revolution. He added: "When we try to train people for jobs in industry, we are in great danger of producing human robots whose skills will soon become out of date: specialists in the obsolete."

Early-retirement deal

BY DAVID BRINDLE

THE GOVERNMENT is expected shortly to announce a comprehensive package of voluntary severence terms to encourage early retirement by older civil servants.

The measures are likely to give the 600,000 white collar and industrial civil servants for the first time the right to take premature retirement. At present, they can leave only at management's discretion. Also expected is provision for staff to retire as early as age 50 – although in some cases that would be on the basis of reduced pension entitlement.

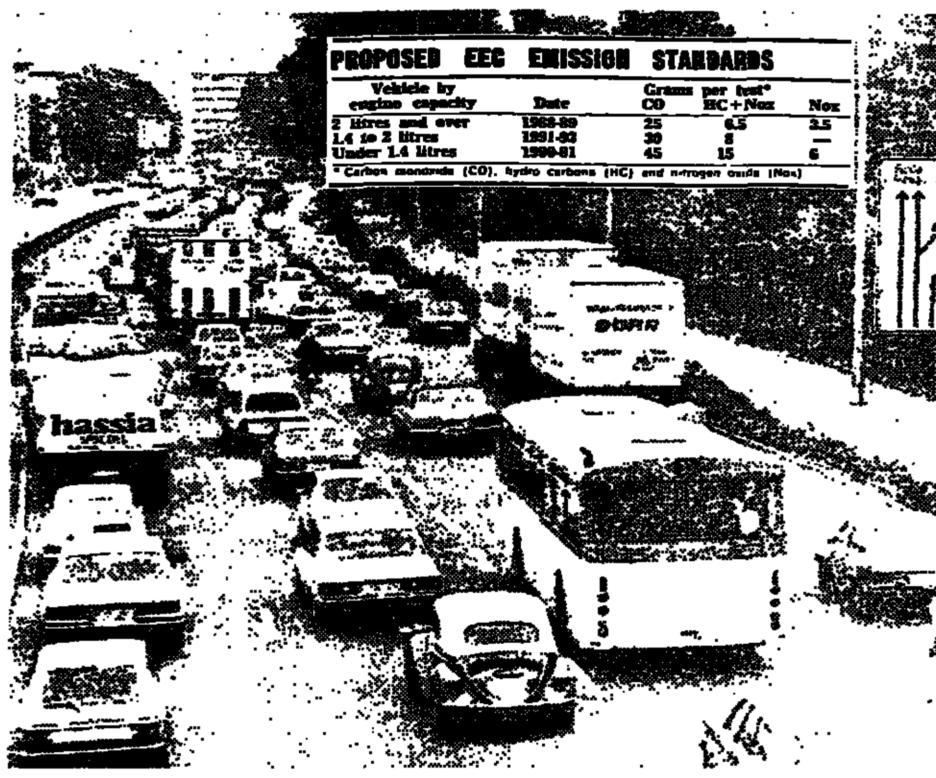
The measures come against a backdrop of a shrinking Civil Service and the need, expressed by departmental managers, for a more flexible framework of voluntary severence provisions.

Discussions with the Council of Civil Service Unions have been proceeding since last December. In them the Government accepted that civil servants should have more control over their retirement date at a time when there was a general trend towards a shorter working life.

TECHNOLOGY

John Griffiths picks his way through the smog surrounding EEC attempts to introduce car exhaust emission controls

A sorry saga of political confusion and delay



PROPOSED EEC EMISSION STANDARDS		Grams per test*		
Vehicle by engine capacity	Date	CO	HC+Nox	Nox
2 litres and over	1988-89	25	6.5	3.5
1.4 to 2 litres	1991-93	30	8	
Under 1.4 litres	1990-91	45	15	6

* Carbon monoxide (CO), hydro carbons (HC) and nitrogen oxide (Nox)

A YEAR after the much-vaunted EEC "compromise" setting out a timetable for reducing car exhaust emissions in Europe, the political vehicle propelling the Community towards "cleaner" cars has sputtered a few times, and is currently stalled.

Delays, disagreements and confusion have left unadopted the European Commission draft directive which would have implemented strict new standards to reduce car exhaust emission levels, one factor blamed for causing acid rain and widespread damage of Europe's forests.

Ironically, in pressing on with meeting the envisaged standards regardless, the manufacturers for once can claim to have overtaken the politicians instead of being dragged along the ear.

As for tussles among the politicians, the draft directive has already been revised several times. Denmark, which wants even stricter standards than those proposed, is still withholding acceptance and looks like continuing to do so. Greece, worried about the damage caused by pollution to classical buildings of Athens, wants EEC aid on the matter before giving its own approval.

To complicate things further, neither Spain nor Portugal, which joined the EEC at the start of this year, helped prepare the directive and have yet to give their own verdicts.

Even presuming it is adopted, the directive is "permissive," in that it allows EEC member states to tighten up controls on the amount of carbon monoxide, hydrocarbons and nitrogen oxides emitted by cars. It does not compel them to do so.

And though maximum permitted levels of each pollutant have been mapped out for each of three capacities of car, and a timetable detailed for compliance (see table), there has yet to be agreed a test "driving cycle" by which the level of pollutants emitted by cars seeking legislative approval can be precisely measured.

The net result of this smog-shrouded scenario is that individual states are moving towards less-polluting cars at varying rates determined primarily by each country's vested motor industry interests and the degree of concern on the environment.

Thus according to an extensive study by the DRI Europe consulting group, it is likely to be 1995 before the Community even approaches complete conformity with the standards proposed by the directive.

And given that some of the cars on Europe's roads are likely still to be in use at the turn of the century, even by then more than one car in three will not comply with the envisaged standards.

In spite of the unforced moves by manufacturers towards reduced exhaust emissions, some have voiced doubts over the value of the proposed EEC standards.

Immediately after the "compromise," Mr Ray Horrocks, chief executive of BL Cars, suggested the industry could find itself propelled down a "highly expensive blind alley," since there was no firm evidence to link exhausts with dying forests. He warned that meeting the standards with three-way catalysts, which have complicated control systems and clean gases as they pass down the exhaust pipe, could add £1,000 to the cost of a car.

Controversy reigns, still over what precisely has caused the widespread forest damage. The nitrogen oxides emitted by car exhausts are linked to it, via the photochemical smog which precipitates as acid rain. But weather patterns, and even viruses, have also been put forward as possible factors in the steep rise in damage observed in the 1980s — and which now appears to be slowing markedly of its own accord.

Motor industry strives to meet a moving target

THE WHOLE industry accepts that full "three-way" exhaust catalysts, of the type long in use in North America and Japan will be needed to meet the standards for large cars, those of over 2-litre engine capacity. For presuming the governments finally get their act together, large cars will be the first needing to comply with the standards, in 1988-89 (see table).

But there are growing hopes that medium-sized cars, with engines of between 1.4 and 2 litres, will be able to meet the standards with "lean-burn" engines, which by running on a leaner fuel to air mixture results in cleaner exhaust emission. If these hopes are realised, not only should emissions eventually be reduced to acceptable standards but fuel economy and performance can be improved in parallel-avenues which catalysts block off.

And there is a great deal of confidence that the standards proposed for small cars, those of under 1.4 litres, can be met with relatively minor adjustments to the ignition and fuel induction systems of even existing power units.

However, the Commission is further reviewing the standards for small cars and is due to present proposals by the end of next year. Were they to be tightened significantly, the manufacturers could face a severe new set of problems, particularly in Italy, France and the UK, where small cars form an important element of production.

A further complication is that unleaded petrol is mandatory for catalyst-equipped cars, as lead coats the catalyst surface and destroys its efficiency within a few hundred miles. But while it is becoming freely available in West Germany—which offers national financial incentives to buyers of catalyst-equipped cars—there appears little sense of urgency to provide unleaded petrol in countries like France or the UK.

In other words, even if the EEC directive were to be rushed through tomorrow, the UK, for one, would hardly be about to require new 2-litre cars to have catalysts by the first due date of 1988 if, as seems highly likely, there is no adequate unleaded petrol infrastructure to run them on.

As with their move towards envisaged emission standards, here too the manufacturers are one step ahead of the politicians in that they have already begun producing cars which can run almost equally well on leaded or unleaded fuel.

All Volkswagen-Audi cars have been able to do so since the late 1970s; by the end of this year about three-quarters of Ford's model range will have the same capability. Other manufacturers are heading swiftly down the same road.

Of the two systems for cleaning-up exhaust emissions, catalysts or lean burn, the European car industry has shown greater readiness to embrace the latter method.

The "cat" has long been compulsory in the US and Japan. But although some European manufacturers, mainly of executive cars, have for years shipped cars so equipped to these markets (and thus will have few problems meeting the Euro-standard on large cars), the European industry does not like the catalyst.

It uses a precious-metals plated honeycomb across which exhaust gases flow, emerging as harmless nitrogen, carbon dioxide and water. But while early suggestions that it would not withstand the sustained high speeds of European motorways and that performance would be sharply reduced have been effectively debunked—not least by Volkswagen, which has conducted lots of non-stop, high-speed tests—the catalyst has fundamental disadvantages.

In its cheaper form—without the complicated electronic controls of a full three-way system—it is large, generates much heat, its efficiency varies with the running condition of the engine and it brings a small but discernible decrease in performance due to back-pressure in the exhaust system.

Ironically, it is in its most effective form for cleaning-up pollutants that its biggest disadvantage shows. The three-way system — the subject of Mr Horrocks's £1,000 claim — is dependent on very precise control of the air-fuel mixture at the chemically ideal (stoichiometric) combustion ratio of 14.7 : 1. And that blocks-off completely the one avenue down which the European manufacturers really wish to travel: reducing emissions in parallel with fuel consumption.

Thus it has been with lean burn engines in the under-2 litre categories that work has been proceeding apace.

VW and Ford are two of the companies known to be fairly advanced in this field and, says Dr Ulrich Seiffert, VW's emissions research chief, any manufacturer unable to meet the standards, even if by combining lean-burn and catalyst technology, "shouldn't be selling cars."

There is no "magic formula" for producing a "clean" engine using lean-burn technology, however. Using computer aided design techniques, it is necessary for a manufacturer to model many ways of creating rapid air/fuel mixture movements within the engine to promote clean combustion using low ratios of fuel to air. Cylinder head and valve design, precise metering of fuel via electronic injection systems—all have a part to play.

Dr Seiffert does not rule out one of the "last frontiers" in potential engine design variation —an adjustable compression ratio—as one of the means by which totally clean lean-burn units of any size might eventually be developed—thus conceivably signing the catalyst itself eventually to "history's dustbin." (That will come in any case, suggests Dr Seiffert, by the late 1990s.)

Meanwhile, like most other European producers, VW has, in fact, already meet the standards by using a mixture of the two technologies. All VW and Audi cars are now offered in full catalyst versions and its cars produced after 1985 can all be "retro-fitted" with catalysts.

Meanwhile, Ford, now well into a crash emissions programme costing $200m and involving some 500 engineers full time, in February launched "second generation" lean burn engines in its Orion and Escort (and increased the capacity of its Bridgend-built 1.3 litre engine to 1.4 litres, to reflect the Commission's proposed "break points" for emission levels).

The high-swirl, lean-burn design was achieved via a new cylinder head with a kidney-shaped combustion chamber to promote fast burning of air-fuel mixtures as lean as 18:1 over a wide part of the engine's operating bands.

Next year, a £157m investment at Dagenham will see the launch of a "third-generation" unit in the under-2 litres category operating at ratios up to 22:1. That unit, likely to be 10-15 per cent more fuel efficient than Ford's "first generation" lean burn unit launched in the Sierra late in 1984, is expected to bring it close to meeting the stiffer standards for medium cars, first due in 1991.

Film and Video

This week's Film and Video column by John Chittock will appear on Thursday.

Philips steps up its attack on UK telephone exchange market

BY GEOFFREY CHARLISH

SOPHO S, the new digital private telephone exchange, designed by Philips, the Dutch electrical and electronics group, has won interim Department of Trade approval in the UK and is now also approved in West Germany, The Netherlands, Italy, South Africa and Australia.

Worldwide, Philips has installed or has received orders for 200 of the exchanges worth about $45m since the launch last year. In the UK, 11 exchanges have been sold, but Philips will not reveal customers' names.

The company admits it has been lying low in the UK market for two years, marketing interim digital products designed in the US. But Mr Dick Horsnell, managing director of Philips Business Systems in Colchester, claims the company was wise to wait and that "the UK got too excited too early about digital."

By waiting, Horsnell believes the company has a product that will become mature when ISDN (integrated services digital network) becomes widespread in the UK. ISDN is dependent on the installation by British Telecom of a sufficient number of System X digital public exchanges and by 1989, BT expects to cover 75 to 80 per cent of the UK business community.

With ISDN, companies will be able to send text, data and pictures to each other, as well as just speech.

Sopho S is based on ISDN and is designed in four versions to cover up to 20,000, 1,000, 250 and 100 extensions. However, because the present public switched telephone network (PSTN) will coexist with ISDN, Sopho S is compatible with both. So users can start with a PSTN connection and change to ISDN when it becomes available locally, merely by substituting digital cards for analogue.

Simultaneous voice and data is achieved with the "2B+D" approach in which, over a normal "twisted pair" phone cable, two channels at 64,000 bits per second (kb/s) and one at 16kb/s are transmitted. The first two can be used for speech or data, the second for signalling (dialling tones etc).

Philips is also offering Sopho-Set, an intelligent 2B+D telephone. A screen and keyboard data terminal plugs into the back while the phone still performs its normal speech function. In addition, a workstation integrating a personal computer with a telephone will be available. For data-only applications, a line adaptor module allows two low cost terminals to share the "2B" part of the line capacity.

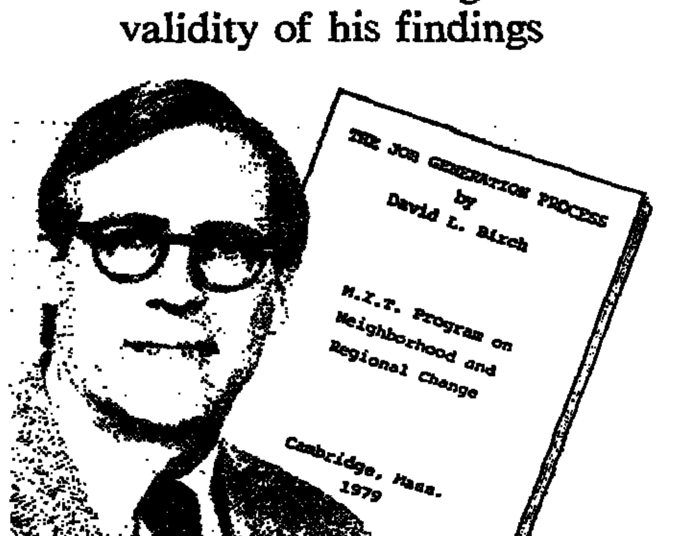
Sopho S will cost about £320 a line including the phone instruments and block wiring. Philips puts the UK market at 400,000 lines a year and is aiming to capture 10 per cent by 1989.

THE MANAGEMENT PAGE: Small Business

EDITED BY CHRISTOPHER LORENZ

Why Birch branched out on his own

William Dawkins finds that the author of the US report which catapulted small business into the political arena is discovering the validity of his findings



WHEN David Birch started an academic study of the migration patterns of US businesses, 12 years ago, he had little idea that this apparently arid subject was to lead him into a political minefield.

The Massachusetts Institute of Technology professor admits that it was by "dumb accident" that his researches in 1979 threw up the entirely novel fact that most jobs in the US were being created by small businesses. That discovery has done more than anything to put small businesses on the political map and has had a lasting impact on the industrial policies of government across the Western world.

Birch feels distinctly ambivalent about the fame his job creation revelations have brought him. Yet like a good entrepreneur, he has made profitable use of his research material as president of a fast growing consultancy based in a suitably high tech temple of glass and tropical greenery in the Boston suburb of Cambridge.

Cognetics uses computer databases to help companies pinpoint ideal potential customers and has seen sales multiply eightfold since its foundation three years ago by Birch and four MIT colleagues. The group is now opening a London office in a joint venture with Procede, a small British management consultancy, from where it plans to build a service for the UK in the next six months, with other leading European countries to follow.

Ironically, Cognetics is a poor example of small business job creation since (to Birch's pride) it has only added three staff to its original complement of six since starting up. But in other ways it has been through all the traumas usually experienced by emerging ventures. On the way, it has picked up new evidence which Birch claims strongly reinforces his original findings about the employment potential of other small businesses.

"Now I know what it means to start a company. One thing that really stands out is that going too far too fast usually leads to disaster. We have found millions of examples of it," he adds.

The seeds of Cognetics were sown one Saturday morning in 1979 when Birch was rushing off a preliminary report on business migration to his Commerce Department sponsors. It suddenly struck him that enterprises with less than 20 staff were disproportionately active job creators. In fact, they created two thirds of US employment in the seven years to 1976, a figure which Birch now says has since risen to more like 100 per cent.

"This looked interesting, but I had no idea that it would be a huge political issue," he recalls. Birch was surprised to find himself called before a stormy Congress hearing on economic development policy a few weeks later. Shortly after the session, the Commerce Department suspended a $3.2bn development plan for large corporations. A deluge of acrimony from big business lobbyists followed, some of it directed against Birch.

"One of the great frustrations is that small business advocates have made use of my work for their own means, though I admit I have gained advantage from it," he says. Birch is sceptical, for instance, about the effectiveness of public policies to support small enterprises. A fertile small business environment, he argues, depends more on a blend of favourable social and economic conditions than on precisely targeted assistance measures. "I just don't see how you can make the leap that if small businesses create all the jobs, you have to make programmes to help them," he maintains.

The profitable part of Birch's findings was the discovery that around 95 per cent of the jobs being created came from just over a tenth of the small business population. He calls the non-job creating majority "income substitution" concerns because they merely exist to provide income for their proprietors.

The elite minority of so-called "entrepreneurial" ventures lead volatile and on the whole fast growing lives. These are clearly of interest to anybody selling computers, financial services or any other commodity that expanding businesses need — and Cognetics is in the business of tracking such ventures down.

A year or so after publishing his job creation study, Birch found himself with a dozen or so unsolicited $10,000 (£6,500) to $15,000 contracts from companies looking for entrepreneurial customers. These projects were too small to be of any interest to MIT, which prefers commercial research contracts of around 10 times that value because of its high fixed running costs.

With backing from Control Data Corporation and URS, a US architectural engineer, Birch launched Cognetics as a part-time market research business, at first in a disused furniture factory near MIT.

He still spends three-quarters of his time running MIT's Program on Neighborhood and Regional Change—a typical pattern for academic businesses which have evolved gradually into independence rather than taking the plunge all at once. Nevertheless, recalls Birch: "The first year was awful. We had to take all those ideas and transform them into sales. The small business advocates knew who we were, but nobody else did."

Inevitably, Cognetics lost money in the first year, but the visibility gained from Birch's busy lecturing and conference rounds as an MIT professor soon started to pay off. The 60 or so clients it has serviced to date include top accountancy firms like Price Waterhouse and Arthur Andersen, regional banks, property developers and economic development boards.

Research and development proved the heaviest start-up cost, occupying a third of the group's staff full-time since trading started. Cognetics taps information from several existing business databases (the main one is Dun & Bradstreet) and it now has its own file on 5.5m US businesses. But it needed to write software to identify automatically companies conforming to different customer criteria.

"We use knowledge to find needles in haystacks," explains Birch. Cognetics' clients get a written report on a market or local economy with a list of codes which will enable Dun & Bradstreet to produce the names and addresses of the companies to be identified. In that sense, Cognetics is partly a Dun & Bradstreet marketing outlet.

One recent example of its work is a project for Deutsch Ireland, a Fort Lauderdale property developer, which used Cognetics to help it decide what kind of buildings to erect on 580 acres in Palm Beach. At first, Deutsch Ireland was planning to put up office blocks, but Cognetics found that "the local office market was overbuilt," says Birch.

The consultancy did, however, identify strong growth in local distribution companies, as a result of which Deutsch Ireland has just sold 55 acres to a distribution venture put forward by Cognetics. Birch's biggest customer is Price Waterhouse, which has asked for regional economic profiles of its 86 US offices so that it can pick out the most entrepreneurial looking accounts.

Cognetics will also highlight the outstanding characteristics of a client's most important customers and use them to generate a list of new companies with the same qualities—a service used by AT & T and Digital Equipment Corporation among others.

The group's latest project, due to be completed by the end of the month, is a computer simulation of the future performance of all 7.2m businesses active in the US. "We will be able to go all the way from forecasting for the whole economy to calling a person in Iowa to sell flower seeds to," claims Birch. Initially, however, the model will be used to produce a report on office space demand for MIT.

If Cognetics has helped Birch to strengthen his original findings, it has done nothing to help him pinpoint precisely any single factor that explains the prolific nature of US small businesses. Birch estimates that around 1.4m new enterprises are formed annually in the US. That is proportionately twice as much as in Britain, though the gap has narrowed considerably in recent years thanks to faster business formation rates in the UK.

Several factors play a part, even if none alone is decisive. They include the amount of labour being shed by large groups—Fortune 500 companies laid off 2.2m people in the past five years, points out Birch—the pace of technology development, an explosion in the number of female entrepreneurs and the ease with which it is possible to raise private capital.

Cognetics itself is a revealing illustration of the last point. Birch and his co-founders put nothing into the business beyond 10 years of being underpaid at MIT, he hastens to add. The two corporate investors put up a lump of cash the size of which Birch is not prepared to reveal — but which covered property rental, salaries and a powerful minicomputer in exchange for which they received a minority of the ownership. It is extremely unusual for an entrepreneur — even of Birch's reputation — to raise start-up finance on those easy terms in Europe.

In brief...

THE experience of the Newcastle Youth Enterprise Centre since its establishment a year ago are to be the principal subject of discussion at a seminar to be held on June 20 in London. The seminar is jointly organised by the London Enterprise Agency and Project North East and will look at the reasons for a youth enterprise centre, how it was established, the services it provides and how similar initiatives can be implemented.

The Newcastle centre was set up in May 1985 to help people between the ages of 16 and 25 to establish their own businesses through the provision of workspace, business advice, enterprise training, common office facilities, a revolving loan fund and group marketing activities. The centre has already helped over 110 new businesses, providing work for 160 people.

The seminar will be held at LEntA's offices at 4 Snow Hill, London EC1A 2DL. A fee of £75 (including VAT) will be charged. Further information from Peter Thackwray, LEntA, 69 Cannon Street, London EC4. Telephone 01-236 2675 until May 16 and 01-236 3000 after May 19.

●

LLOYDS Bank has reduced the fixed rate of interest on its New Business Loans and Farm Development and Farm Capital loans from a range of 14 to 17.5 per cent to 13 to 15.5 per cent (APR 14.7 to 17.5 per cent and 13.6 to 16.4 per cent respectively).

These loans allow customers to switch at five-yearly intervals from fixed interest to a rate linked to the bank's base rate, or vice versa. Interest on base rate linked loans went down last month when the bank reduced its base rate from 11 to 10.5 per cent.

●

PLANS are afoot to establish a national network of Enterprise Agency Marriage Bureaux, one of the objectives being to channel investment to deprived areas of the UK. The bureaux act as intermediaries between investors and small firms requiring risk capital. The potential investments are circulated by way of an investment bulletin. Around 50 per cent of presentations receive an offer of funding. At the moment eight enterprise agencies have Department of Trade permission to offer bureaux services.

Programmed to find winners

Ian Hamilton Fazey reports on an aid for assessing the feasibility of ventures

A COMPUTER program designed to test whether a would-be entrepreneur has the ability to succeed in business has been developed at the Manchester Business School.

Dr Tudor Rickards, the business school's director of creativity programmes, is behind the project, which was funded by a £10,000 gift from stockbrokers Phillips and Drew to the now defunct Greater Manchester Council. The council made it a condition that the money be used on a project that would benefit the area and the MBS was consequently asked to do something for small business.

Rickards feels the program provides a scientific way of predicting "implementability" of a project and that it will prove useful to all banks, venture capital funds and enterprise agencies. At present, the program is running on an Apple II, but it is now being re-written for the IBM PC and the Acorn BBC models too.

Other versions will follow for other machines but Rickards says that feedback from the marketplace suggests that the BBC version could be ideal for schools, where it would be used to teach teenagers how to spot an idea that could be implemented.

The program puts the would-be entrepreneur through a battery of questions with multiple choice answers. They question test commitment, access to resources, and market awareness, while searching all the time for inconsistencies in the answers.

For example, the inventor who believes his product will sweep the world but is only prepared to spend two evenings a week on it because he does not want to risk his safe job with the local authority will probably be told to sell out to someone willing to put his back into it.

The hopeful magnate who reveals an ignorance of production costs or how to work out prices will be given a printout pointing to the weakness, with suggestions of how to make a start in rectifying the fault.

Limited knowledge of likely competition is quickly revealed, as is the aspirant's understanding of what resources might be needed and where they might be found.

The program spots strengths and weaknesses in the person, not the idea. The person being tested is not even asked what the idea is—merely lots of questions about it, such as "How long have you had it?" "How much time have you spent developing it?" and "If you had an opportunity to sell it tomorrow, how much would it be worth?"

Rickards says that the answer to this last question is often the most revealing of all. "Mad inventor" types nearly always press the key for "thousands of pounds." However, he maintains that people likely to make it will value their idea at zero or just a few pounds. This demonstrates their understanding that few things have commercial value unless someone has got them to the point where they can be proved workable and capable of economic manufacture.

Rickards worked out the questions as a result of long exposure to many "inventors" who came to him for advice. He reckons his own face-to-face interview techniques enable him to sort the wheat from the chaff quickly. He suggests that the critical factor in successful entrepreneurialism is what academics call the "locus of control." This means arranging things so that control is maintained at all stages of a business.

This rule applies equally to chief executives of established or large companies as to entrepreneurs, says Rickards. If a competent person is in charge, failure will generally only occur because someone else or outside factors have had to be relied upon. "The person who comes to me and says: 'I can make this work if so-and-so will do this or that,' or 'If the bank lends me a quarter of a million . . .' is more often than not doomed," he adds.

The one weakness in Rickards's idea, which he admits himself, is the uncertain ownership of the product. The concept is Rickards's but the money to develop it came from the Greater Manchester Council, now abolished. Normally he would have presented it back to the local authority and probably negotiated to develop it, but he does not know what to do now.

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Dated this 5th day of May 1986.
By Order of the Board.
L. CRADDOCK,
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THE ARTS

Ashmolean, Oxford/Patricia Morrison

Insight on a virtuoso draughtsman

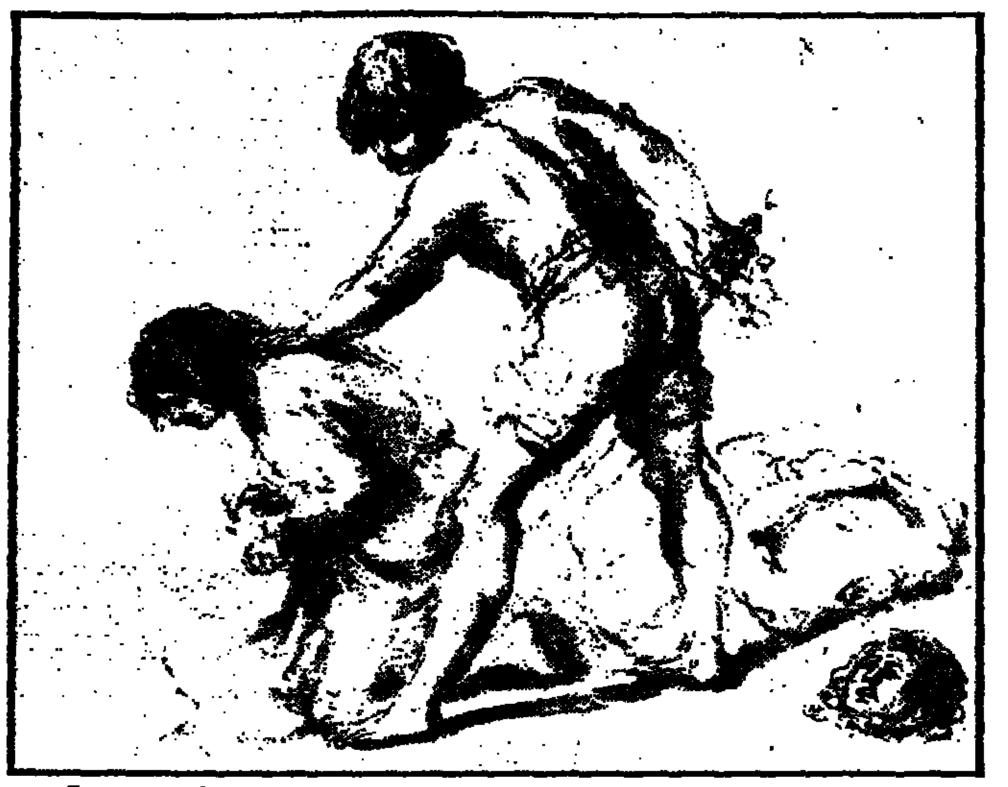
Following on from its highly successful exhibition of Impressionist drawings, the Ashmolean Museum in Oxford has mounted a remarkable exhibition of the drawings of Guercino (1591-1666), until June 22. Anyone unfamiliar with the range and virtuosity of Guercino's draughtsmanship will surely derive much pleasure from this encounter with one of the greatest *seicento* artists.

"Guercino" means the squinter, and when one looks at the little portrait of Giovanni Barbieri in his middle age, it is a surprise that he could even see his way to the inkwell. These 70 drawings range from the hastiest pen sketches working out an idea, to carefully finished drawings to tempt a new client or to report on the progress of a commission.

A few are jokes: a devil rushes with a pitchfork at the midriff of a manacled youth, and Guercino's friend, the unshaven Friar Bisi, checks the hour-glass as he cobbles together his sermon. One of the loveliest, and certainly to my eye the most haunting drawing, is a genre scene of two women, faces wonderfully caught in candlelight, as they whisper their confidences.

Different versions of the same subject put side by side give insight into how the painter worked, well shown in that popular type of Baroque subject, Jael's dispatch of Sisera. In the least dramatic version, the complacent Jael shows the corpse to Barak, but a livelier idea has her turn round as Barak bursts into the tent. The third version is the most typical of young Guercino, a brilliant inky scrawl of the lady with raised fist, about to bash the nail into her squirming victim's head.

Here is Guercino before his famous *volte-face* when the 30-year-old peasant from the Emilia went to Rome where his patron had become Pope. Unfortunately, Gregory XV had a short innings, but long enough for Guercino to learn from a helpful cardinal that he must improve himself.



Guercino's Executioner, one of the drawings from Denis Mahon's collection

He must shake off his vigorous, dramatic, dark style, which would lose him some patrons since it smacked of Caravaggio, a now fading star in the Roman firmament. Fashion suggested a move to calmer, more natural and evenly lit scenes; Guercino obeyed, a fateful case of loss of nerve.

Drawings, because of their greater freedom, make it harder to tell "new" from "true" Guercino, and certainly some of the later ones here are lovely. A red chalk of St George, dismounted and slashing with balletic grace at the dragon, loses nothing in comparison with early drawings.

A swirling pen and wash martyrdom shows a neat dodge to give his patron a choice: a neat flap which meant the executioner's head was either eyes right — more dramatic — or eyes left — a cooler effect. However, the most arresting drawings are in general the early, pre-Roman ones, like the emblem of Bologna. A slightly heavy-chinned and homely nude gazes proudly at the model of her city, borne on the shoulders of two little boys, the most charming baby Atlases.

The Ashmolean's exhibition is a mark of gratitude to Denis Mahon, the great collector and scholar of *seicento* art, who last year placed his superb collection of Guercino drawings on permanent loan in the Print Room. Added to those purchased under the Keepership of Sir Karl Parker, this makes Oxford now an essential place of visit for students of Guercino.

They will also be indebted to Denis Mahon for his scholarship, which has done so much to rescue seventeenth-century Italian painting from its neglect in the nineteenth and first half of this century. Mahon's magnificent collection of Guercino paintings as well as drawings, date from inspiring lectures he heard at the Courtauld in 1933-34 from a young refugee; Niklaus Pevsner.

Certainly, Guercino could be bought for a bagatelle then compared with today, but what counted was Mahon's connoisseurship which led him to the best. Thanks to his generosity, that we can now see for ourselves in Oxford, or later this year in London, when it moves to Messrs Hazlitt, Gooden and Fox.

Mumbo-Jumbo/Manchester

Martin Hoyle

Robin Glendinning's play took joint first prize in the Mobil Playwriting Competition last December, and is the first of the six winners to reach the stage at the Royal Exchange, Manchester. A Belfast schoolmaster and former political candidate, the author offers a new slant on an old theme: the hierarchic and hermetic world of the public school, here both echoing and encouraging the rigid tribalism of Ulster politics.

In fact, the first half is highly promising. To flashing lights and the sound of babel, the bare stage is suddenly peopled by running boys pushing their desks before them—the genuine article, courtesy of Repton—and transforming the Royal Exchange arena into a classroom. Here Nigel Stock presides, no mere Mr Chips, crusty, eccentric and lovable, but with the English outsider's abrasive contempt for and incomprehension of the rituals and taboos of Belfast factionalism.

Nicholas Hytner's production exploits the theatricality of Vachel Lindsay's poem, The Congo, its mesmerising rhythms chanted by the boys, a threatening *leitmotiv* throughout the action with its ominous parallels to the brainwashed local tribalism: "Mumbo-Jumbo, God of the Congo. Mumbo-Jumbo will hoo-doo you."

We could do with more of these parallels; more than the glimpse we get of sectarianism at work even in the selection of a house cricket team. Instead, the second half of the play is fragmented and diffuse.

To the sexual frustration and bewilderment of Barry Dunham, poetic and idealistic, is added hostility towards his father, a newly-elevated judge. The playwright springs a complex domestic relationship on us with little preparation; and the air of contrivance is intensified by the primly pedantic caricature, all silky sarcasm, that not even Denys Hawthorne can make convincing as a father. The emotional climaxes are laboured, whipped up by arbitrary situations dropped in almost according to a formula.

The author's teaching background shows to advantage in portraying the boys' half-mocking tolerance of their masters, and in such oddities as the headmaster's wife, the traditional heartiness of her kind toppling into dottiness. Richenda Carey is all too believable as, to cries of "wretched youth!" and "mon chou!" she thrusts an unwilling child into an Ophelia costume for the school play.

The friendship between the politically sceptical Dunham ("we have no history here") and Creaney, the fanatic Orangeman in embryo, forms the play's pivotal relationship. This extends to a scene of mutual sexual relief suggested with stylised delicacy and played with fervent intensity. The young actors are excellent. Michael Grandage as Dunham just avoids the stereotype romantic schoolboy, fantasising tongue-tied over the girl next door, and plays with vigour and freshness. John Elmes gives an immensely strong performance as the work's most original character, the Prod bigot in the making from a privileged background. The slow-burning anger of his tirade against the indifferent English—"go home to your toast and tea, and leave us to stronger meat"—has centuries of beleaguered conviction behind it; and touches on whole Loyalist paradox so as to cut through the clichés and conventions from which Mr Glendinning's lively writing is not yet entirely free.

Stephen Rea (left) as Brendan Bracken, with Kate O'Toole, in Thomas Kilroy's "Double Cross," Field Day's touring production which has just opened at the Royal Court. This brilliant play, reviewed here on opening night in Londonderry in February, makes theatrical, mischievous use of the careers of Bracken and William Joyce (or Lord Haw-Haw) to discuss the nature of national identity. The director is Jim Sheridan, the designer Consolata Boyle. Rea gives a virtuoso performance as both Bracken and Haw-Haw. M. C.

Tannhäuser/Geneva

Andrew Clark

In an age when Wagner seems to be increasingly the preserve of stage directors, it is a rare experience to come across a major new production in which the quality of singing overshadows all other aspects of the performance. The cast assembled by the Grand Théâtre for *Tannhäuser* are all gifted and experienced enough to be able to reveal the subtlety and splendour of Wagner's writing for the voice. Given the scarcity of mature, musical Wagner singers and the problems faced by casting directors chasing the same small pool of artists, Geneva can count itself lucky.

The title role was sung by René Kollo, who recorded it with Solti more than 10 years ago but had never previously sung in a staged production of the work. His Tannhäuser has been worth the wait: apart from some trouble settling into the higher reaches of the role in the first act, he handled its demands with untiring vocal stamina. In the vitality of his acting and the delivery, he continues to make of the wilful Wagnerian hero a more credible and attractive figure than his heldentenor colleagues.

The majesty of Wagner's bass voice parts was illustrated by Alfred Muff, a Swiss singer whose Landgraf opens vistas of the other Wagner roles he will tackle as his international career develops. Wolfgang Schöne's Wolfram has already received wide recognition elsewhere for his warm timbre and perfect weighting of the words. He and the other Minnesingers — all cast from strength — helped to evoke some of the symbolism of the drama through their enunciation of the text and considered use of gesture.

Elizabeth Connell brought a welcome sense of personality to the role of Elisabeth, though her voice does not yet possess the largesse of a true Wagner soprano. Horst Stein conducted the Dresden version with his usual undemonstrative workmanship, and was particularly effective in underlining the forward-looking aspects of the scoring in Act Three.

But there is more to Wagner's music dramas than the music. promise.)

Given the astute casting, it was puzzling that the theatre management should entrust such a prestige production to the relatively inexperienced hands of Martha Galvin, who was Ken Russell's assistant on film and opera sets for two years before joining the Grand Théâtre's production staff last year.

Too little director's influence may be better than too much, but this staging failed to make any appeal to the imagination, and for most of the evening there seemed to be a conscious attempt to suppress the work's symbolism, particularly the contrasts between the spiritual and sensual. Ralph Koltai's costumes, reminiscent of medieval pageantry, were more relevant than his decor, which set the Wartburg valley scenes on an anonymous series of curved platforms and depicted the Wartburg hall as a wooden grandstand.

The imagery of the Venusberg scene—staged without a ballet or any other extras—had more to do with the aesthetic of a sex shop than a theatrical evocation of sensual pleasure. It was hardly surprising that Miss Galvin should be roundly booed in Calvinist Geneva. She should be cutting her operatic teeth on something more down-to-earth, instead of trying to tell us that the Venusberg is short-hand for female genitalia.

English music/Brighton Festival

Paul Driver

St Bartholomew's, Brighton—the tallest parish church in the country and an example of Victorian Gothic guaranteed to devastate and inspire—was the venue for a concert of English music on Saturday night. It was given by the BBC Concert Orchestra and Brighton Festival Chorus under Norman Del Mar.

The first item—Holst's *Perfect Fool* suite, with its evocation of the spirit of Earth, Water and Fire—was in token to the Festival's curious overall theme of The Four Elements. But no sooner had the music started than one realised that the acoustics of the church virtually precluded further listening. The sound was a thunderous, reverberant blur, both very present and very remote, devoid of detail and colour. Only radio listeners, ministered to by the engineers, would have been able to make anything of it.

Delius's *In a Summer Garden* brought up this concert's particular theme, Summer. But its rhapsodising fell on unsympathetic stone. Nor could Vaughan Williams's *The Lark Ascending* hope to sound convincing in the acoustic circumstances (though Manoug Parikian played the violin solo nicely enough).

The main item was Constant Lambert's masque for chorus, orchestra and baritone, *Summer's Last Will and Testament*, composed between 1932-5 to poems from Thomas Nashe's work of the same title. It is Lambert's biggest composition and one of his last—only the ballets *Horoscope* and *Tiresias* and *Trois Pièces Nègres pour les Touches Blanches* for piano duet have much interest among the scattering of works that came after it, and in it Lambert seems to have exhausted his talent. It is not often performed—though it is a meaty enough prospect for choral societies—and the reason may be that it is a work of severely depressed spirits. Even if its subject were not beauty perceived in time of plague, one would have to acknowledge the weariness of utterance and fatigue in the compositional fabric.

One obvious measure of its debility and enervation is Britten's *Spring Symphony*. The two works are comparable in size, treatment and subject matter, yet when the third of Lambert's seven continuous movements—a "Coranto" setting of Nashe's "Spring the Sweet Spring," a poem also set by Britten—is reached one sharply feels the absence of a golden touch. Lambert—composer of the concise and magical *Rio Grande*—frequently falls back on choral grandiosity where Britten transforms and invents a genre.

Most of the masque's music is just notes: the dully mellifluous counterpoint of the Intrada, the English anonymity of style in Brawles. The orchestral burlesque "King Pest" was a non-experience. Only in the final Saraband—a setting of Nashe's greatest poem ("Adieu, farewell earth's bliss!")—does Lambert animate his score and discover anything like a memorable musical image. Baritone soloist David Wilson Johnson entered here with startling decisiveness and passion. For the rest, the performance cannot easily be judged, so unfavourable were the acoustics. But it was a pity that Nashe's marvellous texts were not printed in the programme.

Valerie Masterson/Wigmore Hall

Richard Fairman

The delicacy and refinement of a Manon should be a delight in recital. Over the past 15 years the soprano Valerie Masterson has taken on a wide range of roles at English National Opera, her home base, but it has invariably been the French repertoire or, more latterly, Handel that has won her the highest praise.

For her programme at the Wigmore Hall on Saturday she included some of both. As the voice takes some time to sing itself in, the Handel arias of the first half proved the less successful. In "Tornami a vagheggiar" from *Alcina*, one of the most brilliant baroque showpieces, she lacked technical brilliance and her paean to sleep "Nel dolce dell'oblio" was not mellow enough, despite the addition of Richard Adeney's soothing flute solo.

In duet, the flute was noticeably the more pure of the two. Masterson's soprano produces the most ethereal sound on isolated top notes that hang in the air, but as soon as she presses for more volume or movement an unwanted cloud of breathiness can obscure the tone. Only with the interval (and a change of dress from baroque silver ruffles to plain blue) did she hit her best form.

A group of songs by Gounod made one wonder why other singers do not explore this composer more. His "L'absent," an elegy that dreamily feels its way though some original harmonies, brought singing of real sensitivity, the haunting echo of its second stanza captured to near perfection. Here voice and music were well matched, as they were in the cradle-like "Sérénade" to Graham Johnson's hushed, hypnotic accompaniment.

Satie's night-club songs made a less theatrical ending than usual. But the best item of the evening was still to come: "Depuis le jour" from Charpentier's *Louise*, the first encore, was ravishingly delicate, the voice free from its earlier problems and from the strain of singing this aria over an orchestra. With this hymn to Paris Manon had at last regained her home territory.

Philharmonia/Festival Hall

David Murray

Sunday's concert by Simon Rattle and the Philharmonia, the second in their modern French series *Après L'Après-midi*, was ingeniously planned and executed as the first. This time there were no repertoire pieces but Ravel's *La Valse*, which made a sizzling conclusion to the evening. It was super-heated rather than super-charged—Rattle began it with an unusually urgent, menacing throb, and drove through to an orgiastic showdown without lingering over Ravel's more exquisitely decadent details—but it worked.

After a programme of intriguing but mostly elusive music, that was probably the best plan. Ravel's tiny, squeaky Fanfare for a forgotten children's ballet, *L'Eventail de Jeanne*, came first, with the right air of conjuror's-joke; then Satie's Cocteau ballet *Parade*, a shaggy-dog story with mechanical raspberries to which Rattle brought helpful verve. (*Parade* always risks seeming less funny than the programme-notes promise).

It was not quite clear how four of Duparc's songs, in orchestral dress, had wandered into the middle of the concert. Ann Murray delivered them with style and fervour, without persuading us that "La Vague et la cloche" was a fair choice for her voice, temperament or sex. "Le Manoir de Rosemonde" just about succeeded, and the "Chanson triste" and "Au pays où se fait la guerre" —much apter for her—were beautifully subtle and assured.

The "Symphonic fragments" from Debussy's *Le Martyre de Saint Sébastien* made a welcome rediscovery. One can never be sure how much the atmosphere of the score is owed to the effect that d'Annunzio's text had upon Debussy, how much to the *Parsifal* echoes (very prominent in the third fragment) and how much to Caplet's orchestration. Rattle captured its suggestive colours admirably, without indulging its equivocal tone. He and the Philharmonia did splendidly by Koechlin's critical parable *Les Bandar-Log*, too (though it wasn't the rare London revival he supposed: Tudor's ballet *Shadowplay* is set to this piece, as Royal Balletomanes well know). Will a sponsor now come forward to encourage Rattle to perform Koechlin's entire Kipling cycle?

Arts Guide

Music/Monday. Opera and Ballet/Tuesday. Theatre/Wednesday. Exhibitions/Thursday. A selective guide to all the Arts appears each Friday.

May 9-15

Opera and Ballet

PARIS

La Fille du Régiment alternates with Ballet School's *Soirée*, choreographed by Claude Bessy and Vincenz Galeotti at the Opéra Comique (4296 0511).

WEST GERMANY

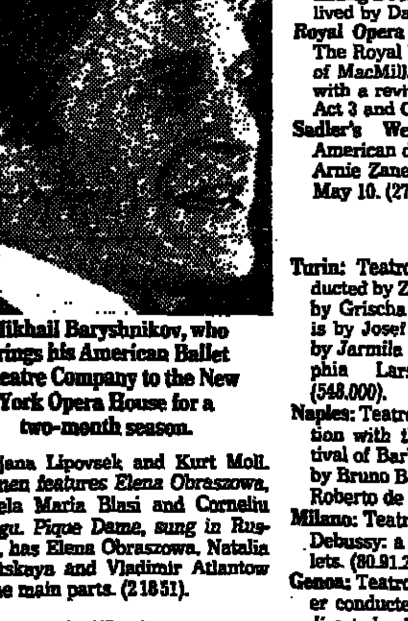
Berlin, Deutsche Oper: Ariadne auf Naxos stars Gundula Janowitz, Cosi fan tutte has Angela Denning, Ute Walther, *Alejandro Ramirez* and Lenos Carlson, Die Frau ohne Schatten has fine interpretations by Sabine Haas, Ruth Hesse and Janis Martin. Zar und Zimmermann rounds off the week. (34381).

Hamburg, Staatsoper: This week's highlight is Un ballo in Maschera with Christina Anghelakova, Julie Kaufmann and Leo Nucci. Der Feuervogel and Daphnis and Chloe, choreographed by John Neumeier, danced to music by Stravinsky and Revel, has Bettina Beckmann, Jeffrey Kirk and Gigi Hyatt in the main parts. (351151).

Frankfurt, Opera: Der Wildschütz features Josefine Engelskamp, Mario Brell and William Workman. Fidelio takes the leads Lia Frey-Rabine and Hermann Winkler. Das Rheingold, offered for the last time this season, is conducted by Michael Gielen. Louis Quilico repeats his much praised performance in the title role in Falstaff. (25621).

Cologne, Opera: Carmen includes Kathleen Kuhlmann and Josef Protschka. The week also features Händel's rarely played Agrippina and Die verkaufte Braut. (20761).

München, Bayerische Staatsoper: La Forza del Destino, conducted by Guiseppe Sinopoli has Julia Varady, Marjana Lipovsek and Kurt Moll. Carmen features *Elena Obraszowa*, Angela Maria Blasi and Corneliu Murgu. Pique Dame, *sung in Russian*, has Elena Obraszowa, Natalia Troitskaya and Vladimir Atlantow in the main parts. (21851).



Mikhail Baryshnikov, who brings his American Ballet Theatre Company to the New York Opera House for a two-month season.

LONDON

Royal Opera House, Covent Garden: The last performance of Les Contes d'Hoffmann in the current revival, with Neil Shicoff and Samuel Ramey providing strong casting is the only thing to break the monotonous diet of Toscas; Maria Zampieri takes over in the title role. (240 1066).

English National Opera, Coliseum: A real mixed bag – the faithful Fledermaus in Tom Hawkes's staging: *Moshinsky's Bartered Bride*, an exuberant production with mediocre singing: and the consistently fascinating Doctor Faust, memorably enlived by David Pountney. (836 3161).

Royal Opera House, Covent Garden: The Royal Ballet has a new version of *MacMillan's Le Baiser de la Fee* with a revival of his taut Anastasia Act 3 and Concerto.

Sadler's Well. Rosebery Avenue: American dancers Bill T. Jones and Arnie Zane continue a season until May 10. (278 8916).

ITALY

Turin: Teatro Regio: Turandot conducted by Zoltan Pesko and directed by Grischa Asagaroff. The scenery is by Josef Svoboda with costumes by *Jarmila Konecna Ditrichova*. Sophia Larson sings Turandot. (548.000).

Naples: Teatro san Carlo: A co-production with the *Aix-en-Provence* festival of Barber of Seville, conducted by Bruno Bartoletti, and directed by Roberto de Simone. (41.82.66).

Milano: Teatro alla Scala: Homage to Debussy: a programme of four ballets. (80.91.26).

Genoa: Teatro Margherita: Tannhäuser conducted by Milan Horvat and directed by Elmar Ottenthal. (589.329).

SPAIN

Madrid, Die Walküre *with Montserrat* Caballe, Siegfried Jerusalem, Kurt Moll, Hans Sotin and Johanna Meier. Teatro de la Zarzuela, Jovellanos 4. (429 82 16).

Barcelona, Don Pasquale with Giuseppe Taddei, conducted by Roberto Abbado. A Spoletto festival production. Gran Teatre del Liceu, Sant Pau, 1. (318 92 77).

VIENNA

Staatsoper: Raymonda, Ariadne auf Naxos, with Gruberova, Tomova-Sintov; Simon Boccanegra, conducted *by Graf, with Freni, Gonda, Bruson*, Talvela. (5324/26 55).

Volksoper: *Händel's Giustino* conducted by Haenchen, Weinberger's Schwanda der Dudelsackpfeifer; Die Fledermaus; Das Land des Lächelns. (5324/26 57).

NETHERLANDS

Amsterdam, Stadsschouwburg. Fidelio performed by the Netherlands Opera and directed by Harry Kupfer, with the Netherlands Philharmonic under Edo de Waart (Tue). (24 23 11).

Arnhem, Schouwburg. Intro-dans with four ballets by Ed Wubbe (Thur). (42 27 41).

NEW YORK

New York City Ballet (New York State). Lincoln Center (870 5570).

American Ballet Theatre (Opera House): Mikhail Baryshnikov brings his company to its two-month spring season with four new works choreographed by Kenneth *MacMillan*, John Taras, David Gordon and Karole *Armitage, which join* the repertory that includes The Nutcracker, *Don Quixote, Giselle and La* Bayadere. Ends July 5. (362 6000).

TOKYO

Kun Opera (the oldest form of classical theatre in China and source of most others, including Peking Opera. Japan's Kabuki is also indebted to the form. The Peony Garden, (Mon): The Wife of Zhu Maichen (*Tue*). *National Theatre*. (580 0031).

Saleroom/Antony Thorncroft

Not to European taste

After its tremendous success in selling the rather second rate 18th century Chinese export porcelain, uncovered by Captain Hatcher from the depths of the South China Sea, for £10m in Amsterdam two weeks ago Christie's came down to earth yesterday when it had great difficulty in disposing of an important collection of Chinese ceramics. The morning session totalled £76,863, with a very high 60 per cent bought in.

This was because the collection came from South East Asia, and is of South East Asian taste. The financial situation in that area is not too good at the moment, so there were few buyers in the room for the celadon and the blue and white pieces. Lots which appealed to Europeans did better. A Ming heavily potted celadon barrel shaped garden seat was the top price at £6,696, below forecast.

There was also some disappointment in the opening auctions of Christie's week in Geneva. In the sale of 20th century French bookbinders, for example, the total was £483,567, but with 46 per cent unsold. The failures were mainly among the middle priced lots.

"Salonique. La Macedoine. L'Athos" illustrations by Jean Goulden, published in Paris in 1922, sold for £78,571, while Emile Verhaeren's "Les campagnes hallucinées, et les villes tentaculaires." with illustrations by Frank Bragwyn, made £74,642. An 1893 edition of Voltaire's "Zadid, ou la destinée" went for £62,857. All prices were well up on forecast.

The art deco and art nouveau was 25 per cent unsold, with a total of £289,009. An important internally decorated and applied glass vase "L'orchidée" by Gallé, did well at £98,214, while another Gallé, a marquetérie-de-verre applied and internally decorated glass vase, was on target at £21,607.

Mouton-Rothschild was much sought after in the wine auction, with a Swiss private buyer twice paying £2,946 for a dozen bottles of the 1961, and the same for Margaux of the same year.

The National Portrait Gallery has acquired an important portrait of the botanist and explorer Sir Joseph Banks painted by Sir Joshua Reynolds in 1772-3. It was sold by the Hon. Clive Gibson in a deal negotiated by Agnews, with a £177,000 contribution from the National Heritage Memorial Fund, £50,000 from the National Art Collections Fund and £20,000 from the Pilgrim Trust.

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Tuesday May 13 1986

Sharing more than profits

THE GOVERNMENT'S idea on encouraging profit-sharing, unveiled at the National Economic Development Council yesterday, proves to be determinedly vague and the timetable is at first sight hardly demanding; legislation cannot be contemplated until well into next year. This may well disappoint some enthusiasts but caution is surely wise. Schemes of the kind the Government has in mind, delivering a significant proportion of pay as a share of profits to a formula fixed in advance, are much more than arithmetical gadgets designed to make pay more responsive to market conditions. As best existing practice shows, companies which share profits also share information and indeed some areas of decision-making. In short, it is a radical change in corporate culture.

Wrong reasons

This does not mean that profit-sharing is not desirable. On the contrary, it is only because it is a radical change that it can, if rightly managed, offer radical benefits. It does, however, mean that it should be approached cautiously and seriously. Those who simply try to jump on to a fashionable bandwagon without planning the move properly risk falling off again, quite badly bruised.

The Chancellor's main concern is with wage determination, a perennial problem in the UK economy. At the moment it might be said that the British system offers a kind of fair-weather profit-sharing. When cash flow is abundant, union negotiators see their chance to secure some solid increases and British management has traditionally been willing to yield.

For many decades a rough balance was nevertheless preserved, and the profit share in national income was nearly constant but during the 1960s, as prices and profits become more volatile, an insidious ratchet began to operate in which the concessions of the good years were never recouped. This effect was so strong in the 1970s that the UK profit share fell to half the level in competing countries.

The recent years of tragically high unemployment have done much to restore the profit share in national income, but for exactly the wrong reasons. Wages have not become noticeably responsive to market pressures but employment has. Redundancy has been and even now remains the most powerful means available to management to keep labour costs under control. This system is wasteful and often inhuman, and it is also now the leading electoral issue. The Government might be forgiven for being more impatient in its search for a better way.

From the Government's point of view the biggest attraction of profit-sharing is that it could reduce the pressure for redundancies when margins are squeezed and could make employers less cautious about hiring extra labour when they see opportunities in their markets. The Japanese example is often cited in support of these hopes. Long-term advocates on profit-sharing in the UK, on the other hand, have always stressed the improved atmosphere inside the companies which practice it, with the John Lewis Partnership as their standard text.

These examples really illustrate the problems as well as the opportunities on offer. The Japanese profit-sharing corporation, which characteristically offers life-time employment, does engender strong corporate loyalty. This is achieved partly, however, because employees are involved in investment and product decisions; a share in the profits means a share in the decisions which generate them.

Meaningful schemes

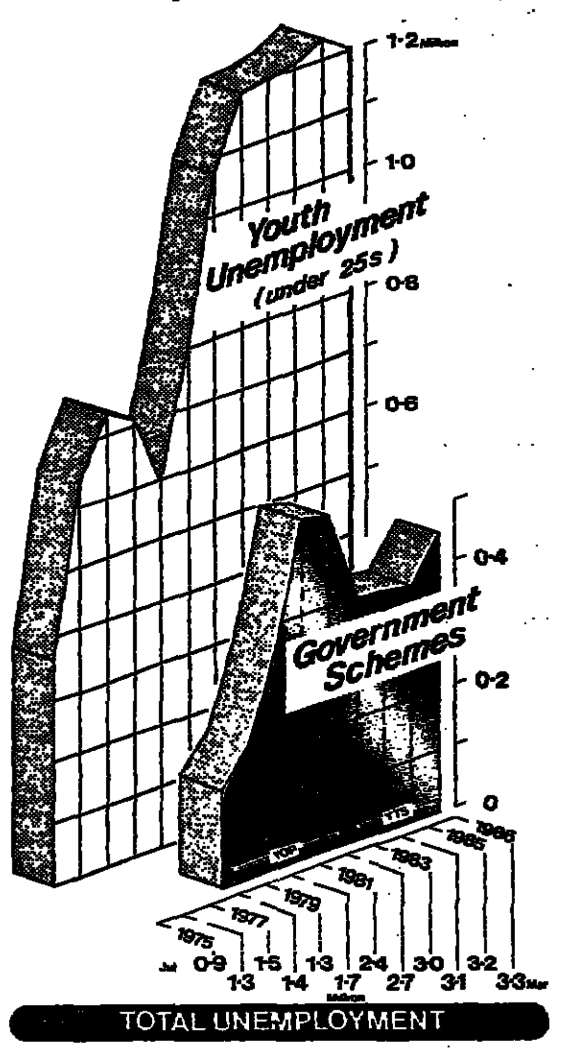
This not only cramps the style of managers with an authoritarian frame of mind but it can hamper decision-making and expansion, as the rather unexciting growth of the generally admirable John Lewis group seems to show.

Decision-sharing is not an optional extra. The measurement of profits — especially in large groups where the profit-sharing group is likely to be a division—is likely to be contentious unless very full information is available—a point the trade unions were quick to make at Nedo yesterday. Where information is shared, decisions are bound to be discussed. The Government is rightly demanding meaningful schemes and the potential benefits are large—provided everyone involved approaches the change with their eyes open.

YOUTH TRAINING IN BRITAIN

First steps on a long road

By Alan Pike



RATIONAL, intelligent people used to swear that it could not come about in their lifetime, and that their children would wait in vain to see the day.

Yet it happened in the Winter Garden, Eastbourne, in April 1986. The Amalgamated Engineering Union agreed to end time-served apprenticeships.

As a symbol of change in the way in which Britain prepares young people for work, the vote at Eastbourne was the equivalent of the coronation of a commoner. The union which has mounted the most entrenched, proud defence of traditional craft training acknowledged at last that in future the only thing which counts will be the ability of an individual to acquire the skills to do the job.

The AEU's decision rounded off a month which saw two other significant developments for youth training—the introduction of the two-year-long Youth Training Scheme, and the unveiling of a structure aimed at enabling more young people in Britain to start work with worthwhile, clearly understood qualifications.

Britain has been lax in the past at preparing its young people for work. The British tradition has been for a majority of 16-year-old school leavers simply to set off untrained and unprepared in search of jobs—something which is almost unknown in other industrial countries.

In West Germany, more than 90 per cent of young people who do not enter higher education undertake long-term apprenticeships leading to vocational qualifications. About 600,000 young people begin two- or three-year-long apprenticeships each year in Germany while Britain, which has only a slightly smaller population, creates around 40,000 apprenticeships each year. In Japan and the US, most young people remain in education beyond the compulsory minimum age to enhance their qualifications. The average age of entry to the Japanese labour market is now 20, compared with Britain where a majority of young people look for their first job at 16-plus.

The shortcomings of Britain's system have been acknowledged on all sides for some time and it fell to the Manpower Services Commission, a body which includes representatives from business, unions and state education, to shape a new policy. The YTS, which has its origins in a variety of emergency measures developed to cope with rising youth unemployment, bears the brunt of this task. What are its chances of success?

YTS, which will cost the Government £925m in 1986-87—rising to more than £1.1bn in 1987-88 — is designed to offer young people the chance of obtaining a recognised vocational qualification based upon the development of work skills. The scheme combines work experience and further education, and the MSC is staking its reputation on a pledge to deliver good quality training on the two-year scheme — it is proposing to set up a YTS inspectorate similar to HM Inspectorate of Schools to monitor schemes.

However, not all aspects of the revised, two-year YTS introduced last month are as refined as the newspaper and television marketing campaign which has accompanied the launch. Substantial worries have to be overcome, in addition to the obvious one in the minds of young people that two years on YTS carries no guarantees of permanent employment.

CBI officials regularly receive complaints from member companies about the amount of bureaucracy and administration imposed by running YTS programmes — and about the tightness of the Government's funding arrangements, particularly in industries where training is complex and expensive.

Some employers believe the leap from a one to two-year scheme was made too soon, leaving them unsure how best to fill the time of young people during the second year. British Gas, for example, will continue to offer its own 12-month scheme in the coming year, while YTS has made a slow start in some industries because of industrial relations problems over the status of trainees.

The biggest hurdle to be overcome is one of perception. What is YTS for? Given its antecedence in emergency responses to youth unemployment, and the lack of a strong pre-training culture in Britain, it continues to be regarded by many people as a sad substitute for a proper job rather than a genuine training scheme.

Companies have responded to appeals to provide YTS places for young people — more than 1m school leavers have taken part in the one-year YTS since it started in 1983. But a recent study by management consultants Coopers & Lybrand Associates found that many employers are involved in YTS for social reasons rather than because they regard the training scheme as good for their businesses.

When the Youth Training Scheme started, opinions differed about whether it should be offering young people training for specific jobs, or a much more broadly-based introduction to work in general.

The boundaries of this debate have been moved in the two-year YTS by a new emphasis on developing trainees' "competence" — a training buzz word describing the ability to acquire and apply skills and knowledge. At the end of a successful scheme, young people should have acquired competence in both particular jobs and a range of skills, be able to transfer skills and knowledge to new work environments and have improved their personal effectiveness.

Crucially for the status and reputation of YTS, the competence of trainees is going to be determined by clear vocational qualifications which raises the scond of last month's developments; the review of qualifications.

Ministers are currently considering a report on this subject produced by a working group set up by the MSC and the Department of Education and Science.

Under the report's recommendations, which are almost certain to be accepted by the Government, the present obscure array of vocational qualifications will all fit into one of five grades of a new National Vocational Qualification framework. There are currently more than 250 bodies involved in setting standards and awarding qualifications, and there is widespread evidence that both employers and trainees are bewildered by the relationship between certificates.

The report describes YTS, with more than 350,000 entrants a year, as a "permanent and substantial part of the national structure of post-school education and training," and regards the certification of trainees as a "major component of the foundation of a reformed system of vocational qualifications." It is expected that the majority of YTS trainees will achieve grade 1 of the new National Vocational Qualification, with many reaching grade 2. Grade 3 will correspond to entry to higher education, with grade 5 covering professional qualifications.

Young people completing YTS are awarded certificates showing their achievements. Critics have argued that such certificates would have little chance of impressing employers, but their value should be enhanced if they become part of a single vocational qualification structure which wins the confidence and understanding of industry and the education service. The YTS certificates will also provide a base for young people to move to higher grades of the National Vocational Qualification through subsequent education and training.

Making its certificates part of the new National Vocational Qualification framework should serve to emphasise the fact that YTS really is meant to be a training scheme. It also points to another equally important facet — the scheme is only one component of what will become a more unified system of education and training for 14-19 year olds. YTS cannot be seen in isolation from developments in the schools like the Certificate of Pre-Vocational Education — a scheme which provides secondary school pupils with work experience — and the MSC's Technical and Vocational Education Initiative.

A Government statement is likely this year on further development of TVEI, a scheme set up in 1983 to blend the theoretical and practical elements of technical education in new ways for the 14-18 age group. Industrialists work with teachers in the development of courses; work experience and activities such as the running of school businesses and residential activity form part of schemes.

All TVEI projects are designed and run by local education authorities, but the MSC's central control of the scheme gives the Government a powerful weapon for achieving change in the technical curriculum.

So far the four-year TVEI is only a pilot project costing about £228m. But there are already signs that it is, in effect, merging with YTS. Young people on both schemes will be working towards certificates covered by the new National Vocational Qualification framework. And the first survey of TVEI leavers shows a large number of young people in some areas coming out of TVEI after the first two years of the four-year course to join YTS.

The Government's political philosophy is written clearly into some aspects of these training reforms. Ministers have steadfastly argued that there is a link between Britain's traditionally high youth pay rates and youth unemployment. YTS allowances —£27.30 a week in the first year and £35 in the second—have helped change attitudes towards young people's earnings, even if the allowances are at present paid by the State rather than employers as the Government would ideally wish.

In the Budget the Chancellor announced the introduction of another measure, the New Workers Scheme, which offers subsidies of £15 per week to employers who recruit 18- and 19-year-olds at less than £55 per week, and 20-year-olds at less than £65.

The last time something of this sort was tried it was called the Young Workers Scheme and it had a high deadweight effect, with surveys showing that up to 75 per cent of subsidy payments were being claimed by employers for young people they would have recruited anyway.

This time the scheme is being pitched at a slightly older age group, so that it complements YTS rather than competes with it. It means that state financial support for the employment of young people will be available for three years from 18-plus to 20.

Employers' organisations and trade unions share doubts about the extent to which the New Workers' Scheme will stimulate youth employment. But if YTS allowances and New Workers Scheme maximum levels become the dominant influences over youth pay, Britain will have moved into line with West Germany, where apprentice rates have traditionally been a more modest proportion of adult ones. German apprentices currently receive allowances of around £28.50 per week in their first year, rising to £57 in year three.

Arguments over money are bound to continue to fill a major part of the political debate about youth training which is guaranteed to grow between now and the next general election. A Labour strategy document being studied by the party's executives as it finalises its training policy accuses the Government of having introduced YTS largely on the cheap, and says the scheme has been "tainted with the Government's strategy of lowering young people's wages and by its ideological preference for private sector delivery."

But the document also warns that there was no golden age of education and training before the Government came to power in 1979, and admits that the problems of a system which has not equipped people sufficiently for life and work predate the present administration.

Details of the reforms in vocational education which the Government has initiated will continue to be the subject of fierce argument, but no political party is advocating a change in the substance. There will be no "Abolish YTS" platform in the next election.

Britain has moved closer to the point at which it will become the norm for all school leavers to enter the labour market with acknowledged vocational qualifications. Two-year YTS and the symbolic dismantling of the AEU's reverence for time-served apprenticeships by a 63-61 vote at Eastbourne are historic steps along the way.

Reforming the machine

INSTITUTIONAL reform is back on the British political agenda. The Institute of Directors under the leadership of Sir John Hoskyns—formerly of Mrs Thatcher's Policy Unit—yesterday held a conference of all interested parties to discuss it.

The conference had before it a 12-page document called Re-skilling Government prepared by the IoD and members of a number of other research institutes. It calls for the introduction of a continental-style cabinet system under which senior ministers would have an enhanced private office composed of outside experts and political advisers as well as top civil servants. The proposal was almost overwhelmingly dismissed by the conference as being too modest.

Obvious requirements

Far more striking than the individual contributions, however, was the breadth of the support for change. The IoD is working with the First Division Association, the representative body of senior civil servants which is itself contemplating major reforms in the way the Civil Service will have to operate in the late 1980s. The political interest in what is being discussed goes across the parties and extends to business, industry and academics.

As an example of the consensus that something must be done, Dr John Cunningham, Labour's shadow spokesman on the environment, told the meeting that he had to work with one secretary, a half-share in a research assistant and in a room that would barely take an executive's filing cabinets. Lord Thomas of Swynnerton, chairman of the Conservative Centre for Policy Studies, said it might be desirable to move to an American system under which there was a period between an election and a government taking office, so that there would be time to make a proper distribution of offices and staff. The discovery that other countries did some things better than the British, he added, had been one of the great developments of the last 10 years or so.

Above all, there was a widespread view that Westminster and Whitehall had failed to keep up with the revolution in business methods and organisation that had long been endorsed by the bulk of the private sector. Few people pretended that reform would lead automatically to better policy-making but at least policies would be more co-ordinated and perhaps more long-term. Reform was necessary in its own right.

Some of the requirements are obvious. Almost every speaker called for an end to the excessive secrecy that has been identified as hampering effective British government for years. The IoD's document draws attention to the absurdity that the House of Commons still sits up half the night and there were a number of claims that ther are far too many MPs, though it should be remembered that in these matters Parliament can only reform itself.

Some of the other demands for reform were contradictory. It is not self-evident that the creation of a cabinet system will reduce the ministerial workload which is one of the most serious problems of government, a senior minister having to attend Cabinet, Cabinet committees, look after his department, appear in public, attend the House and be a constituency MP. The enhanced private office could produce more work, not less. It might be better, as Mr Ray Whitney, a Conservative junior minister, suggested yesterday, to make more effective use of a department's full ministerial team.

Keen interest

If another of the problems is the fall in morale of the Civil Service, it is not clear that it will be immediately raised by the introduction of more outsiders. Mr Richard Wainwright noted for the Liberals that the effect of giving five research assistants to a dotty MP would be to make him five times more dotty.

So there are pitfalls. Nevertheless, the debate has begun in earnest. The IoD plans to hold another conference in the next few weeks and to produce detailed submissions before the party conferences in the autumn. Labour and the Alliance are showing a keen interest. The demand for reform should not pass the Tories by. Mrs Thatcher might reflect how much more effective her Government could have been if the machinery had been better co-ordinated from the start.

Men and Matters

Nixon's come-back

The once reviled Richard Nixon, the only President in US history to be forced to resign from the White House, has quietly passed a new milestone in his slow but steady campaign to rehabilitate himself as one of the country's elder statesmen.

According to a Newsweek magazine opinion poll, more than half the American people now appear ready to forgive him for Watergate, which led to his dramatic resignation in August, 1974. An astonishing 39 per cent would actually like to see him back in some kind of public role, perhaps as an ambassador or government adviser.

Nixon, now 73, who lives a fairly solitary but affluent life in Saddle River, New Jersey, is aware that he will never be able to shed the Watergate stigma, which he described in an interview with the magazine this week as a largely "self-inflicted wound." Without it, he feels that he would be rated rather high as a President.

His shrewd advice is still much sought after by Republican politicians, not least by the current tenant of the White House, Ronald Reagan.

Nixon says that he talks to Reagan "quite regularly" on the telephone, in what he describes as "a very natural relationship."

Usually Reagan calls him at week-ends from the Camp David presidential retreat "after he has had one of these, you know, tough decisions" such as ordering the raid on Libya, Nixon told Newsweek.

Nixon, who has carved himself out a slightly more moderate position on foreign affairs than Reagan, believes that if Libya is to be bombed again it must be a knock-out blow. "We learned in Vietnam. One of the lessons of the many we had to learn is that gradual escalation does not bring down a fanatic."

While Nixon says that he has been surprised at the extent to which people still want to hear his views, his friends say that his comeback has been painstakingly planned from virtually the moment he left the White House.

He is now working on his seventh book—about detente and super-power relations, which is to be called 1999.

As one of his former aides puts it, Nixon is now "running for the office of ex-president, and he's won." Nixon himself is less modest. "People see me and they think 'He's risen from the dead'," he says.

Behind the scenes

A slight quandary, I gather, at Britannia Arrow over a name for the new fund management business that will result from the merger with MIM. There is already Britannia Asset Management (BAM) and Britannia Investment Management (BIM). The logical choice of title would be Britannia Unit Management. But that has been rejected.

Royal fillip

General Motors could be forgiven for blowing a discreet raspberry later this month at those who opposed this "foreigner" in its attempt to buy bits of BL. For GM's Bedford trucks subsidiary will then be delivering to a Very Important Customer—in Buckingham Palace, no less.

The Duke of Edinburgh, I understand, is keen to get behind the wheel of his new CF van. Lest Rolls-Royce fear that this heralds the end of life as we know it—this is a special van which is all-electric.

Five years ago, Prince Philip took a shine to an early prototype of the 50 mph van, a joint product of Bedford, Lucas-Chloride EV Systems and Chloride Silent Power. It has been used to hum between the Palace and Windsor Castle ever since.

"I love foreign food—as long as the country of origin is on the EEC approved list"

The new van is a production version, and proof that the viable, roadgoing electric vehicle is moving out of the realms of wishful thinking towards commercial reality. Bedford has already built more than 300.

It has added attractions for its royal driver. It does not cause pollution, which is one subject of personal concern; and it has significant export potential for Britain, which is another.

For GM's subsidiary and its partners have neatly trumped Bedford's US parent. Having spent millions on research into a viable North American electric vehicle, GM has now adopted the British vehicle as its own market model.

Sticky end

An exhibition of new inventions would simply not be complete without a better mousetrap. But an inventors' show in New York has gone one better—an automatic rat-trapping device from Japan.

The trap consists of a large enclosed box, disconcertingly named a cat box, which contains a tank of liquid under its lid. The lid itself, approached by a small staircase which the rat is expected to climb to its doom, conceals a trapdoor, and is triggered to open when the victim touches the bait at one end of the box. You may think this is a pretty simple idea to come up with, but there is more to catching rats than meets the eye, according to the sales spiel. This trap has some very innovative features.

First, the inventor claims, the trap "quickly interrupts the supersonic alarm signals which are coming from a trapped rat to other rats and accordingly enables you to catch and kill every rat overnight with a single device at one location, which has been regarded to be difficult with conventional devices.

Second, "the liquid eliminates the struggling action of the trapped rat. Consequently conventional rat holding mechanisms can be eliminated resulting in a simple device structure.

Third, "the liquid prevents fleas and ticks from jumping away from the killed rat when its body heat is lost, contributing to environmental hygiene."

And how is it that the device acts with such remarkable, environmental efficiency? "Very sticky liquid," said the Japanese lady behind the counter.

Level best

"Jane," a Portsmouth teacher asked a 12-year-old in her class during a quiz, "can you tell me when the Iron Age was?" The reply came after some thought: "Before drip-dry."

Observer

South Africa's political future

The chance that Botha may have to take

By Anthony Robinson in Johannesburg

AS THE Commonwealth Eminent Persons' Group arrives in South Africa today for its latest round of discussions about the country's political future, two surprising points can be made.

The first is the growing sense that, after much hesitation, the South African Government may be about to set in train a process which could lead to the release of Mr Nelson Mandela, the legalising of the African National Congress and an opening of the way for multi-racial negotiations aimed at creating an apartheid-free future.

The second surprise is that the self-appointed Eminent Persons' Group, set up after last October's Commonwealth Summit in Nassau, should be felt to have such a potentially important role in this process.

South Africa left the Commonwealth in 1961, an act which underlined its international isolation and fed the xenophobia of the Afrikaner ruling class and its stubborn refusal to be dictated to by foreign "busybodies."

The phrase surfaced again two weeks ago when President Botha used it to describe Mr Willy Brandt, the former West German chancellor, one of a stream of foreign dignitaries to visit South Africa on "fact finding missions" in recent months.

But now it seems, Pretoria sees the Eminent Persons Group as a useful channel of communication with the ANC and the international community.

The credit for this goes mostly to Mrs Margaret Thatcher, whose opposition to sanctions is seen in South Africa as a result not only of British self-interest but also of Britain's understanding of South Africa's historical dilemmas.

General Olusegan Obasanjo, the former Nigerian head of state, has emerged as a key figure in the seven-man group. Both the General and Mr Malcolm Fraser, the former Australian Prime Minister, were permitted to visit Mr Mandela in Pollsmoor jail during the group's first visit in March.

According to Dr Hermann Giliomee, professor of political studies at Cape Town University and one of South Africa's sharpest political observers, General Obasanjo impressed President Botha and key Cabinet ministers because of his experience in dealing with Nigeria's ethnic divisions.

Mr Pik Botha, the Foreign Minister, publicly singled him out as a man "who knows the realities of Africa." On taking office following the assassination of General Murtala Muhammed, General Obasanjo encouraged the country-wide debate which marked the drafting of Nigeria's new constitution for the federation of 19 states that make up Nigeria. After 13 years of military rule multi-party elections in 1979 restored a civilian government, albeit one which was to be toppled by the army in December 1984.

For a South African government wrestling with attempts to create a more flexible federal system with guarantees for minorities, the Nigerian experience is seen as relevant. As Professor Gilomee puts it: "Translated into the South African context this would mean a federation of 18 or 19 entities comprised of the eight economic development regions and the black "homelands" while leaving open the possibility of a merger between a homeland and a region along the lines of the KwaZulu-Natal experiment.

Leaders of the white Natal provincial administration and KwaZulu are trying to devise a joint legislative assembly for the entire Natal region, a process the government is cautiously observing.

Fascinating as General Obasanjo's federal experiments might be to Pretoria, however, the key factor about the eminent persons' mediation is that it is taking place at a time when South Africa is demonstrating—most recently by scrapping the pass laws and influx control—that it is determined to sweep away many domestic obstacles to meaningful negotiations with leaders of the black majority.

There are still grave doubts about the feasibility of some of the proposed reforms—for example the planned introduction of new "regional service councils" and other local government reforms which depend on the continuing existence of key apartheid laws like the Groups Areas Act and the Population Registration Act. President Botha recently said however that the Group Areas Act was "not a sacred cow" and a special committee of the President's Council is looking into its working. The council is expected to propose important changes to the act if not its repeal as recommended in the case of influx control. Meanwhile parliament is to be reconvened in special session in mid-August to pass the reforms already promised.

Before then the National Party is to hold a special congress in Durban on August 12-13 at which President Botha is expected to seek a mandate for the changes required in order to get negotiations started with black leaders on future power sharing.

It was against the background of this timetable that President Botha sent a personal letter to each of the seven leaders at the Tokyo summit calling on them to recognise publicly the breadth of his reforms and to support his plans for talks with black leaders.

One of the Government's prime aims is to educate the international community about the momentous decisions it faces—and the enormous risks involved. Take, for example, the key recommendations of the Eminent Persons Group: to release Mr Mandela and other jailed leaders, to legalise the ANC and the small Pan African Congress, and to negotiate with them and others about creating a non-racial democracy.

It sounds an obvious and easy formula. But the pitfalls are enormous, and Pretoria knows it. So does the ANC. There is a risk that the release of Mr Mandela and others, far from reducing violence, would unleash uncontrollable crowds in a violent confrontation with a nervous and trigger-happy police force.

Against these risks, however, the Government has to weigh up the danger of doing nothing, including the growing danger of serious economic damage from the flight of both foreign and domestic capital. The lack of a viable political perspective has already contributed to near stagnation of the economy over the last decade—apart from a brief gold-induced rally in the early 1980s.

At the same time, two years of violence, together with the unsettling effect of inconclusive reform on the more reactionary whites, have led to a worrying resurgence of support for right wing political parties and the emergence of para-military groups like the Afrikaner Weerstandsbeweging and vigilante groups.

Opinion polls, private conversations and the attempt by most blacks to lead as normal a life as possible indicate, however, that while the overwhelming majority of blacks demand an end to apartheid, they want to achieve this peacefully.

The danger is that unless black leaders are released, and exiled leaders allowed to return, a new generation of radicalised blacks, already emerging, will take control and demand not only political power but the socialist transformation of the country.

This is the message which Mrs Helen Suzman, the Progressive Federal Party spokeswoman on law and order, brought back from a two-hour visit she made to Mr Mandela in Pollsmoor prison earlier this week. Mr Mandela, she said, "is committed to help create a climate for negotiations and assured us that the ANC shares this commitment." What is more, Mr Mandela told her that "all groups across the political spectrum," including Chief Mangosuthu Buthelezi, leader of the million-strong Inkatha movement, should take part. She warned: "We have no doubt that when Mandela and other African nationalists of his generation are not around to conduct negotiations any prospect of our becoming a non-racial democracy will be infinitely more remote." Mr Mandela, she concludes, is "our last hope."

The idea that Mr Mandela could emerge from 24 years in jail to become a South African Jomo Kenyatta (the jailed Kenyan leader who changed in white eyes from being a Mau-Mau terrorist to saviour of the nation) is an attractive one. It also has its supporters in the top levels of government—although President Botha is still reluctant to make the leap until he gets a commitment to renounce violence from Mr Mandela and the ANC.

In parliament earlier this month Mr Botha drew a clear distinction between the nationalist element in the ANC, a movement which clung to non-violent change against all the odds from its inception in 1912 to its banning in 1960 after the Sharpeville massacre, and the ANC's military wing and Communist Party allies.

Mr Botha claims that 63 per cent of the ANC executive council elected at its last congress in Kabwe, Zambia last June are members of the South African Communist Party (SACP). "You cannot expect me, while the ANC is under control of the SACP and still openly advocates violence, to deal with them," he told parliament.

Mr Botha, however, is asking a great deal, if he expects the ANC to forget the last 25 years.

What the ANC, both leaders and led, suspect is that Mr Botha is really trying to achieve through the Eminent Persons Group and appeals to foreign governments is merely the division and emasculation of the ANC.

The history of the five-nation Western contact group's efforts to bring about a negotiated peace in Namibia under the terms of UN resolution 435 should also inject a note of caution. Several times Western diplomats were persuaded by Pretoria that they were on the point of breakthrough — but Namibia nine years later remains as firmly wedded to South Africa as ever.

The Afrikaners are tough and Mr Botha has an unforgiving constituency behind him. He cannot risk being accused of selling their birthright. Yet failure to open negotiations with real black leaders now could only buy time—at the expense of a less favourable deal later. These, as Mr Botha is fond of saying in the advertisements extolling the virtues of his reform programme are "the realities" of the situation.

Gen Olusegan Obasanjo (left): a key figure in the Eminent Persons' Group with another member, Malcolm Fraser

Lombard

Misgivings of a meltdown man

By Nicholas Colchester

THE CONTEMPORARY impact of the sinking of the Titanic in 1912 was measured in more than 1,500 lives. The disaster was perceived as a reminder that a century of industrial progress had not tamed nature. The fate of an "unsinkable" ship so magnificently conceived and equipped suggested that engineers had overreached themselves in their self-confidence.

Seventy-five years later it takes a confirmed romantic to see technology as a battle of engineers against the elements. Isambard Kingdom Brunel would today find a depressing public assumption that he could do anything, given enough money: his main task would be to show that his dreams made economic sense and would not threaten the environment. His ability to outface nature would not be in doubt, only his ability to justify, perfect and control his own creations.

The events of 1986 have delivered a mighty one-two to the notion that almost anything can now be made to work. Last Friday's Financial Times carried a concise statement by an associate director of the Federation of American Scientists: "What we have seen recently is a tragic shuttle failure, two Titan rocket failures, the Delta rocket explosion, the Chernobyl nuclear accident and a surgical bombing raid on Libya that turned out to be not so surgical. It confirms what a lot of us knew all along—technology is not perfectable."

The assumption of perfectability is basic to the adoption of new technologies into the routine of everyday life. Nasa may have developed many faults as an organisation but it was certainly having to struggle with a glaring inconsistency. Were the shuttle crews courageous pioneers riding the largest uncontrollable firework ever built? Or were they the routine crew of a commercially viable satellite launching system? Launch after launch had made them into the latter for the tax-paying American public. Nasa felt the pressure to stick to the routine that the public had come to expect and, indeed, embellish it with senators and schoolteachers. Then its device came apart at the seams.

Were the night-shift at Chernobyl routine maintenance men? Or were they pioneers out at the ragged edge of man's competence? They and the rest of the world were shattered to find how suddenly they became the latter, when the instruction book no longer had any answers and western experts could only say that they would not like to be in their shoes.

Technology so mysterious and so open-ended in its possible consequences, where basic problems like the demolition of obsolete plants have yet to be squarely faced, cannot yet be regarded as a routine part of everyday life: that is one Titanic-like message from Chernobyl. And like Bhopal before it, the accident reinforces doubts as to whether such technology is yet ripe to be "transferred" into developing countries which can only assume that it is supplied in fail-safe form.

Another, more specific, message concerns Star Wars—the search for a technological solution to the small but horrific risk of nuclear war. It seems quite clear that this vision was an American extrapolation of the routine that the shuttle launches had appeared to become, reinforced by the advances in computing power and beam weaponry that began to appear achievable.

Even on the assumption of perfectability, President Reagan's dream appeared to ignore the history of weaponry, in which the advantages technology gives to an attacker or to a defender remain only transitory. Now with perfectability called so dramatically into question, the promise of an almost impenetrable shield that will make the possession of nuclear weapons pointless is in tatters.

Congress and the US armaments industry realises this and the emphasis of lobbying is shifting accordingly. The strategic defence initiative will still provide some lucrative basic research contracts, but the air is gently going out of the grand design. We will look back on the couple of years before the spring of 1986 and wonder how anyone was ever persuaded that nuclear security could lie in that direction.

Letters to the Editor

Gas reserves estimates

From the Director, Rotterdam Centre for International Energy Studies

Sir,—J. Stern (May 7), to an even greater extent than your Energy Correspondent's initial comments on the 1986 Brown Book, exaggerates the significance of a minor 2.75 per cent reduction in the reported proven and probable UK gas reserves.

The difference is not statistically significant as it lies within the margin of error implicit to the method of calculation used for aggregating the data from a large number of occurrences. In any case estimates of reserves in discovered fields have little to do with the country's medium to long-term gas production potential as Stern appears to believe. They represent only the shelf-stock of the industry—created, through the expenditure on exploration and development work, to ensure a near-future availability of gas. They are, in other words, a function of short-term demand expectations.

If the current constraints on gas use in the UK—imposed by pricing policies and by the restrictions on gas use in power generation—were to be lifted, then the ensuing motivation to bring new fields into production would quickly lead to an upsurge in proven and probable reserves.

Thus, Stern's concern for the adequacy of the UK gas reserves base (and his argument that the decision not to buy Sleipner gas was wrong) is entirely misplaced. Indeed, in his study of the 1986 Brown Book he seems to have missed the most important gas resources development reported, viz. the increase of identified prospects at all geological levels in the (relatively low-cost) Southern Basin. This includes the so far unexploited carboniferous horizons which underlie most of the basin. In the adjacent Dutch sector this has already been proven prolific and there is much industry optimism on its prospects.

By contrast, the Brown Book is very modest in its evaluation: it has merely used the new information to enhance both the lower and upper end of the range of possibilities of new Southern Basin gas—by 50 per cent and 100 per cent respectively. These data are the appropriate ones to which long-term gas development strategy have to be related. Short-term considerations should be concentrated on the evolution of policies, appropriate to a low oil price situation, which will motivate companies to keep on exploring and developing the very large volumes of gas which remain under the UKCS—to say nothing of onshore reserves, for which, incidentally, the Department of Energy has not yet made any kind of assessment—in spite of the high and increasing degree of interest in the prospects.

(Professor Dr) P. R. Odell,
Postbus 1738,
3000 DR Rotterdam.

Heroes of the USSR

From Mr J. Warren

Sir,—There is one group of people who deserve our unreserved respect, admiration and even awe, if we can summon the courage to reflect on their plight. I am thinking of the helicopter pilots and fire fighters struggling with the reactors at Chernobyl. The risks they are taking and the future that awaits them for the sake of Kiev, the Ukraine, Russia and all those touched by the radio-activity spewing into the earth's atmosphere chills the blood, even at this distance.

I do not ask how likely it is that such an accident could happen here, how much less we are prone to human error, how small the statistical risk, how different the technology. I ask only, in the event of such a remote possibility, who are we going to find to fight our fire or fly our helicopters and when we find them who will be prepared to look these men in the eye and ask them to make the sacrifice?

John S. Warren,
20 Cameron Court,
Clock Rd,
Gourock, Renfrew.

Nuclear power and risk

From Mr J. Karlin

Sir,—Apparently the unthinkable has happened. Or has it? Many have thought the Chernobyl disaster not only possible, but likely. The most debated point has been to establish just how likely. But the mathematics for evaluating the risk of an infinite disaster which has only an infinitesimal chance of ever occurring are bound to be ambiguous to say the least.

The amount of damage which can be caused by a nuclear disaster is to all intents and purposes infinite. Any nuclear disaster whether in war or in peace is irreversible and all pervasive. There is no known way to escape an atmospheric poison of this nature on a large scale. Any increase in the level of background radiation inexorably increases the likelihood of developing cancer for every living being. It is an unforgivable erosion of human rights to promote this technology at least in its present form, when each accident may result in a reduction of the life expectancy of every human being.

Undoubtedly most industries involve risks for those working within them. Civilised opinion insists however, that these should be minimised, containable and that the people involved should have the choice of leaving. In this case not even neighbouring countries have that choice.

Those who believe that our venerable institutions are competent to moderate the white heat of technology, take heed. We are already being told that the reactor technology of 20 years ago is no longer acceptable (though it is still in use). What will we be told in 20 years from now?

Other solutions may well be expensive. But we cannot afford mistakes. Will our children appreciate the cheap electricity to light their blighted earth? Could it be that they will wonder why their short-sighted ancestors did not build the nuclear power stations deep underground while the writing was still on the walls?

Jeremy Karlin,
(Joint Managing Director),
Microcosm Research,
26 Danbury Street, N1.

Cheshire's rates

From Messrs M. Davis, D. McGarrigle and R. Meakins

Sir,—The leader of the Cheshire County Council writes (May 5) about CBI and Cheshire rates.

Earlier this year, and in conjunction with the Chambers of Commerce and Chambers of Trade in Cheshire, we were asked by Councillor Collins and his colleagues what level of rates we would be looking for in the forthcoming year.

From the council's budget predictions, and following a series of meetings with members of the council's forecast sub-committee, we proposed savings in expenditure in our papers on education, manpower, energy and financial balances.

In summary we proposed a reduction in expenditure of 5 per cent in real terms (ie, holding expenditure level, in money terms, assuming an inflation rate of 5 per cent) rather than the 5 per cent increase in real terms which was being proposed by the council.

In addition to this we proposed that around £60m in financial balances, over and above what is agreed to be a reasonable working balance for the council, should be returned immediately to the ratepayer. These balances have been building up through over-rating in recent years, and are now so large that the annual decisions on expenditure budgets and rate precepts have become detached from reality. We wanted the money returned to the ratepayer before the rating system is reformed: there is a danger that these balances might be lost to the ratepayer following such a reform.

The effect of our proposals was that the rate precept in Cheshire should be reduced this year by 16 per cent, as opposed to the 10 per cent increase proposed by the council.

We understand that these £60m balances were now free from all threats of penalties by central government (Cheshire's total balances are much larger, but we understood the remainder to be not yet free of penalty threats). The fact that the money is tied up in a Department of Environment bank account seems to be a technicality we do not understand.

We would be willing to join with Mr Collins in making strong representations to the Department of the Environment for the return of this money to Cheshire.

M. E. D. Davis *(Confederation of British Industry),*
D. McGarrigle *(Cheshire Chambers of Trade), and*
R. C. Meakins *(Cheshire Chamber of Commerce),*
c/o 6 Hunter Street, Chester.

Shia citizens of Saudi Arabia

From the Vice Governor, Eastern Province, Saudi Arabia

Sir,—I was pleased to read Michael Field's objective report on the progress and development of the Eastern Province of Saudi Arabia (April 21).

I would, however, like to correct any mistaken impression that may have been created by certain statements that were wrongly attributed to me on the subject of our Shia citizens.

The Shia have been here ever since Saudi Arabia came into existence as a nation. They are full citizens in all respects and are completely equal in their rights and obligations under the law. This means that like all other citizens they will be punished for breaches of the law or acts of subversion against the state. Any such cases however, will be judged on the facts by our courts without the activities of any outside regime having any influence on our legal processes. I hope this makes the position clear.

(Prince) Fahd Bin Salman Bin Abdulaziz,
Dammam,
Saudi Arabia.

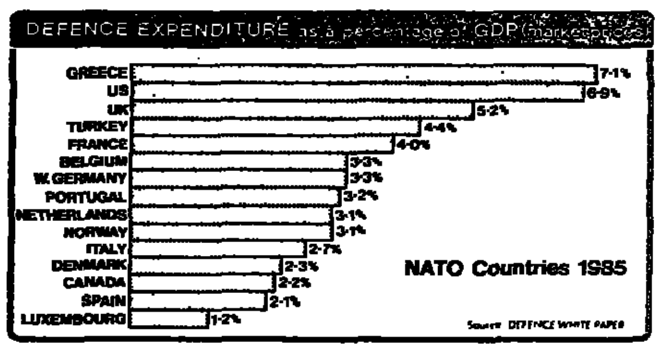
FINANCIAL TIMES

Tuesday May 13 1986

DEFENCE SECRETARY RULES OUT FULL-SCALE REVIEW OF SPENDING

UK likely to cut weapons plans

BY BRIDGET BLOOM, DEFENCE CORRESPONDENT, IN LONDON



BRITAIN'S Defence Secretary, Mr George Younger, has ruled out a full-scale defence review as a way of securing needed cuts in spending estimated at about £3bn ($4.6bn) over the next three years.

Mr Younger, who faces a decline in defence spending of at least 6 per cent in real terms between now and 1988-89, has decided instead to take action likely to result in cuts in individual weapons programmes and delays in others.

Decisions on the intended cuts and consequent programme changes will not necessarily be announced to Parliament, Mr Younger said yesterday. The decisions are held to flow from the annual defence planning process known as the long-term costings, which is not normally subject to parliamentary or public scrutiny.

Mr Younger announced his decision not to order a major defence review at a press conference in London yesterday held to launch this year's statement on the defence estimates, known as the Defence White Paper (policy document).

He said that while some difficult decisions now had to be taken in the management of the defence programme, by "no stretch of the imagination" was it necessary to change any of the countries's major defence commitments, which is what a defence review would mean.

The four commitments described as the pillars of Britain's defence policy are its nuclear forces, and defence of the UK base, of the European mainland (through British forces in West Germany) and of the eastern Atlantic.

However, Mr Younger refused to be drawn either on the scale of the likely cuts and programme delays or on their precise nature.

Senior defence officials and service chiefs are believed to have recommended some savings in the "raw" figures of £1bn which is said to need cutting from each of the next three years' defence budgets, set, in cash terms, at £18.5bn, £18.8bn and £19bn for 1988-89. But this is still thought to leave Mr Younger with the need to decide on savings of about £400m to £600m a year.

Yesterday's White Paper was notably short on its normal description of the three services' present and future equipment programmes, suggesting that the Defence Ministry was giving itself room to manoeuvre in deciding which programmes or projects to cut.

Mr Younger denied this but refused to confirm suggestions that the Government's promise to build three Type-23 frigates a year would still be honoured. He added that he did not expect "any major change" in the size of the Royal Navy, which now has 53 frigates and destroyers.

Aside from the warship building programmes, other programmes held to be at risk include missiles and communications for the Royal Air Force and new artillery for the Army, as well as Defence Ministry construction programmes. The White Paper shows considerable declines in stocks of ammunition and other war stores over the next three years.

Mr Younger confirmed yesterday that the new European fighter aircraft will be in the defence programme. He said he hoped to take a decision on Britain's costly and controversial airborne early warning Nimrod by the end of July.

Barclays moves to repair Italian damage

BY ALAN FRIEDMAN IN MILAN

THE ATMOSPHERE is rather gloomy at Barclays Bank in Milan, but that is probably to be expected at a bank that has just dismissed more than half of its staff in the Italian city, after 1985 losses that wiped out its capital base.

Although there is much talk of restructuring and repositioning, Barclays is admitting that its revenues at present are insufficient to cover its costs in Italy.

This is a most unusual situation for Britain's biggest clearing bank – to have an overseas subsidiary which it has had to rescue from technical insolvency by means of a cash injection.

Barclays' decision to dismiss 185 people from its bank in Milan and seven from its merchant bank also marks the first instance of mass dismissals in the Italian banking system, a precedent that might have implications for Italian banks as well as for foreign banks operating in the country.

The bank has been acting to repair the damage, even to the point of calling in an assistant general manager from London to work with local executives to develop a new strategy for the future. Mr Giles Cutayar, who arrived in March, will remain in Italy until the end of this year. The Italian bank is likely to continue to lose money beyond then, however, perhaps reaching breakeven near the end of 1987.

What has gone wrong at Barclays? The answer lies partly with the difficult market conditions which have affected nearly all the 35 foreign banks operating in Italy in the past couple of years – costly interbank funds needed to finance loans to Italian customers and superior competition from Italian banks in a market characterised by weak loan demand.

The market has been tough – there is no doubting that – but the Barclays crisis in Italy has also been caused by particular problems inside the bank. Its L500bn ($335m) loan book was found in 1984 to be riddled with potential bad debts. The bank's dramatic expansion, moreover, was undertaken perhaps without adequate analysis of cost structures and profitability.

The expansion began in earnest around 1980 when Barclays took 100 per cent control of Banca Castellini, a small private bank in Milan which Barclays had bought into in 1972. Mr Ken Bromley, who was head of Barclays Group Italia for nine years until 1984, once recalled that when he arrived in 1975, Barclays had a representative office, a staff of 40 people and L10bn in loans. When he left, Barclays had a bank staff of 363, overall Italian staff of 849 and a loan book 50 times bigger.

"I didn't see us just as a bank, but as a financial services company. We never concentrate on just one thing," Mr Bromley explained in 1983.

So Barclays grew and grew. Total assets nearly quintupled between 1980 and 1985. The Barclays move into leasing, factoring and other financial services soon ran into trouble. In 1981 Barclays found itself in a machine-tool leasing venture, with a partner who was placed under criminal investigation for fraud, that resulted in write-offs of L40bn between 1982 and 1984.

The problems which led directly to the present situation are exclusively within the bank, according to Barclays. Mr Richard Adams, deputy group general manager in Milan, says the past few years saw "an attempt by Barclays to offer all things to all men and now we need to refine our services." He describes Barclays in recent years "as growing organically in many directions."

This growth created an overall cost structure which the bank's revenues could not cover, and the situation was compounded by bad debts to small businesses and individuals. When Mr Gianmarco Petrelli arrived to run the bank in 1984, he says he found that "the quality of the loan portfolio turned out to be a big surprise." Mr Petrelli acted immediately to change the bank's management, dismissing 35 executives.

The restructuring of the Italian loan portfolio began 18 months ago and has affected something like 60 per cent of the loan book. Bad debts last year caused most of the L52bn loss which wiped out the bank's L37bn nominal capital base.

Last week's dismissals, which are likely to include staff above the clerical level, represented Milan's response to the British parent, which supplied L53bn to cover 1985 losses but expects cost reductions from Italy.

"Head office asked us how much money we needed and told us it considers Milan strategic, but obviously London is not prepared to provide capital injections of this order as an annual event," remarks Mr Adams.

Mr Adams says that restructuring the loan book and making 172 people redundant are not enough to set the bank on an even keel. Important elements of the strategy will include concentrating on fee-generating income, discouraging unprofitable deposit accounts (although Mr Adams insists that Barclays is not "walking away from retail banking"), and trying instead to attract clients who will make use of Barclays' portfolio management and other services.

Barclays is also hoping to save on overheads and improve efficiency by bringing together in July 1987 the six Barclays offices – treasury operations, head office, corporate lending, merchant banking, the bank office and branch – at present scattered about Milan.

The future for Barclays in Italy should thus see a smaller operation with much improved loan-risk analysis and an emphasis on "relationship banking" which will take the bank increasingly towards corporate clients and wealthier individuals.

Although Barclays' men in Milan are working full time to limit damage and plan ahead, it is not so easy to slash overheads *and* to generate profitability in new business areas overnight.

US seeks scapegoat for soaring costs of insurance

By William Hall in New York

GREEDY LAWYERS, badly managed insurance companies, Lloyd's of London, uneducated juries or irresponsible judges. America is desperately searching for a convenient scapegoat to blame for the soaring costs and near-disappearance of many types of insurance cover.

Scarcely a week goes by without news of another bizarre judgment against some unfortunate US insurance company. Did you hear the one about the man who could not start his lawnmower and had a heart attack? He sued the manufacturer, and got a million dollars.

"Sorry, America, your insurance has been cancelled," said a recent cover story in Time magazine. Stories such as those have made wonderful reading and ensured an unusually high level of public interest in the normally dull affairs of the US insurance industry.

All of that should come as no great surprise. For more than a year the US insurance industry has been working hard to create a climate of opinion that would encourage reforms aimed at making insurance coverage more available and less costly. The industry, with more than a little prodding from overseas insurers such as Lloyd's, has pinpointed the US civil justice system as the root cause of the industry's problems.

"The public must be educated" to understand that they are "paying the excessive costs of the civil justice system – through higher prices for the goods and services they buy, higher insurance premiums, higher taxes and reduced services," said Mr Robert Clark, chairman of the Insurance Services Office, in January.

Research has shown that the costs of administering the US civil justice system are about equal to the net compensation awarded to plaintiffs. If that is correct, it is hard to fault the insurance industry's argument that the current system is a hopelessly inefficient way of compensating injured parties.

With that in mind, the various insurance-industry lobbies have been blanketing the country with advertisements, speakers and information on the need to make the civil justice system more equitable, efficient and predictable. Expanding notions of liability, rapidly escalating legal administration costs and ever higher jury awards and settlements threaten the very survival of the insurance industry, say the industry's apologists.

The insurance industry's gloomy message seems to be getting across. At the end of last month the US administration announced sweeping plans to overhaul the country's liability laws and limit damages awards. The proposed legislation would hold any payment for "pain and suffering" and punitive damages to a maximum of $100,000, limit lawyers' contingency fees, and restrict the legal theories of liability under which manufacturers and the US Government could be held responsible for damages.

They would also establish for the first time certain national standards of product liability, superseding any state laws that were inconsistent with the federal criteria.

While the insurance industry is basking in the comfortable glow that comes from the belief that right is on its side, many people are far less convinced of the need for reform. They quote data collected by the National Centre for State Courts, which show that tort filings in state courts, where most cases are tried, increased by 9 per cent between 1978 and 1984. Talk of a "Litigation explosion" is being exaggerated, they argue.

The US industry may be ahead in the public-relations battle to convince Americans of the need for change, but is still faces an uphill struggle, not least because many of the legislators who will decide what form any reform will take are themselves lawyers.

Mr Fred Baron, a Dallas lawyer who made his name in the Manville asbestos claims litigation, summed up the views of many of his colleagues when he said that the current US tort system was working reasonably well and that its lack of predictability was one of its strengths. That made it an excellent deterrent to irresponsible behaviour.

"Good will and good claims management can kep a lot of cases out of court," says Mr Peter Perlman, president of the association of Trial Lawyers of America.

The US insurance industry's efforts to go on the attack to convince Americans of the need for reform of the civil justice system might still backfire. Many states are already drafting their own legislation to curb perceived abuses in the system and Governor Mario Cuomo of New York has proposed that reforms should include controls over insurance industry pricing.

THE LEX COLUMN

Balloon goes down at BOC

Fixed-interest markets were looking distinctly jaded yesterday, outside the long-busted Boxer bonds which do not heed prosaic matters like interest-rate moves. With little prospect now of a concerted round of cuts, the gilt-edged market is getting no help from abroad. The home front looks no happier after last week's elections and week-end rumblings in the Tory Party.

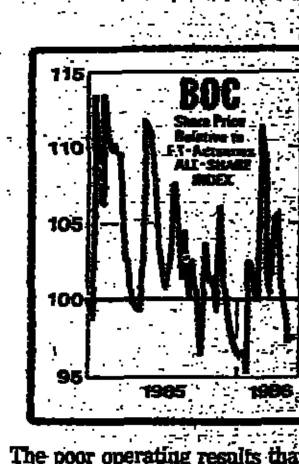
BOC

Even without untangling BOC's results from the stock losses, currency moves, exchange rate hedging, falling additional depreciation and a rising tax charge, the message is clear. Earnings are going down. Profits for the six months to end-March, at £80.2m are hard to compare with any previously reported number, a pattern analysts have come to expect from the group. Profits for the year should be up on last year's £171.3m, perhaps to £190m, but technicalities will bring earnings per share down, putting the prospective p/e at 11½ on the shares at 332p.

In fact, the underlying trading performance is not bad, though BOC is hardly firing on all cylinders. Industrial gases, still more than two-thirds of operating profits, had a difficult time in the US affected by the sluggish economy. But in the UK and Far East volumes were strong and the outlook is for growth above the industrial average as more uses are found for nitrogen. The health care business suffered a setback in the US, but this should prove a one-off problem once the medicare reimbursement system is sorted out and BOC has combined the numerous small acquisitions. The problem remains the graphite electrode business, though even here losses are reducing and it is cash-generating. And BOC is helping to solve the US trade deficit by exporting to Japan on the back of the rising yen. But the £300m invested in it is earning no sort of return and some solution must be found, even at the cost of write offs. Until that happens the shares look like being dull.

JVC

Quite apart from the high-profile embarassments of the Tokyo summit, it is not hard to see why the political stock of Mr Nakasone is not a strong market in Japan just now.



The poor operating results that exporting companies have threatened to produce for some while – since the dollar-yen rate dropped below Y180 or so – are now coming through with a vengeance. At JVC, Matsushita's autonomous consumer electronics satellite, earnings for the year to March, at Y39.43 per share, were less than half their 1985 level.

There is evidently some voluntary pressure on margins, incurred in the attempt to establish its VHS-C camera-recorder format in a dominant position against Sony's 8mm version. Shifting assembly operations for the European market into local plant is also going to compress the marginal return. But there is no doubt that even some way above yesterday's Y160 dollar parity, exporting is a painful business. JVC's reported projection of a second-half rate around Y165 seems a little conservative, designed to make profit forecasts easy to beat when the yen falls back. But when exporters are selling dollar receivables forward into a falling currency market, caution must seem doubly attractive.

Britannia Arrow/MIM

After rallying round to spurn a 140p a share cash bid early this year, Britannia Arrow shareholders may feel their board is a touch insensitive to be pushing out new shares at 110p. It should not have been a surprise since the MIM deal was announced at Easter, but the shares fell 8p yesterday to 120p. At least the £39.4m is being raised in a good cause and the £40m price tag on MIM looks cheap. Aetna reputedly paid £45m for it, though what MIM would have been worth to Aetna if the people had left is another question. Compared to Ivory and Sime, which also manages mainly institutional funds, the price of 12 per cent of funds under management or 14 times historic earnings on the basis of pre-exceptional profits is low. The arrival of Mr David Stevens to head Britannia's UK investment management business, between running United Newspapers, promises a shake up. And he has a powerful ally in Mr Robert Maxwell, who is keeping up his 16.7 per cent stake.

Unilever

The pace at which Unilever rushed through the first quarter of 1986 is not calculated to make things easy for the shares as the year unwinds. At £15⅞ the shares have months of relatively strong performance behind them, and they have been looking for just such a result as yesterday's 28 per cent increase in attributable earnings to £123m. Based unquestionably on better operating results – particularly in Europe – the improvement is also magnified by a falling tax rate (nearly 5 points lower at 42 per cent than in the first quarter of 1985) and a £21m fall in the net interest bill is of the non-sustainable variety. Unilever is unlikely to have sufficient gilt-edged dealing profits in later quarters to keep its net financing costs down to £40m for the year, and the tax charge is bound to stabilise.

Some of the margin improvements come from corporate housekeeping – such as shedding the low-return Mallinson Denny timber business acquired with Brooke Bond – and the raw material price indices have been moving Unilever's way. All the same, there are genuine gains in operating efficiency to play with, and that source of profits growth should run right through the year.

Despite a seasonally weak quarter from Lipton and continuing problems in personal products, the reduced dollar translation rate leaves Unilever able to show a smaller US loss, or slightly faster improvement, than the local currency results would justify. But the gains here could be substantial as the expenses of detergent promotion are balanced increasingly by profits from the more established brands – Snuggle, Sunlight – in the Lever Bros portfolio. Margarine is profitable, and Lever has the low-cost production base from which to roll out higher-margin European-style brands if the test marketing looks right.

China to launch US satellites

Continued from Page 1

has been stressing that it is willing to insure Chinese launches at a time when premiums overseas have risen dramatically.

Talks between the two sides are expected this month in Peking to discuss a contract and devise a launch programme for the satellites, which will be launched from the Chinese space centre at Xichang, in Sichuan Province.

China's first satellite, called "The East is Red," was launched in 1970 on the "Mao One" mission. It broadcast the patriotic tune "The East is Red" while it orbited the earth for two months.

Chinese officials recently claimed that the increasing sophistication of the space programme had prompted negotiations with "some research institutions and companies in Western Europe, America and Asia" for a satellite launch.

Senior Tory critic under fire

BY OUR POLITICAL EDITOR IN LONDON

THE DIVISIONS at the top of Britain's ruling Conservative Party, which has been shaken by election setbacks last week, deepened yesterday when a source close to Mrs Margaret Thatcher, the Prime Minister, levelled a fierce attack on a Cabinet minister who had publicly questioned her approach and policy.

Mr John Biffen, leader of the House of Commons, was described as "a well-known semi-detached member of the Government" after his frank advice to Mrs Thatcher to have balanced ticket at the next general election.

Mr Biffen had also specifically challenged the preference of Mrs Thatcher and the Treasury for using any available money for direct tax cuts. Instead, along with Mr Malcolm Rifkind, the Scottish Secretary, Mr Biffen urged a balanced approach with more public spending.

The frankness of Mr Biffen's remarks startled and puzzled Cabinet and backbench colleagues, who fear that he had stretched the conventions of loyalty to the limit, although there is considerable Conservative support for his views on the need for higher expenditure on public services like education, health and housing.

The result has been further to unsettle Conservative MPs in the wake of the party's widespread losses at last Thursday's local elections, the loss of one "safe" parliamentary seat to the Liberals and the retention of another by a mere 100 votes.

If Mr Biffen intended to achieve maximum irritation in Downing Street, there is no doubt that he has succeeded. While he has been known for his frank comments on the political scene in the past, this time his questioning of official policy and presentation has reached new limits.

The official response has been to portray Mr Biffen as a slightly eccentric figure out of the mainstream, whose remarks should not be taken seriously and do not matter. Hence the official view is that Mrs Thatcher does not take the interview seriously and is not worked up about it.

However, this reaction is itself quite remarkable in relation to a senior member of the Cabinet and suggests that Mr Biffen is now definitely on the outer circle, "not one of us," in the Prime Minister's eyes.

There is no doubt that Mr Biffen's remarks were carefully calculated and reflect his view that a change in presentation in relation to Mrs Thatcher and of policy, in the balance between tax cuts and public spending, is necessary if the Conservatives are to win the next election which must be held by June 1988.

His words were in no sense a leadership bid since he is not a contender and does not believe Mrs Thatcher will want to step down until well after the next election.

World Weather

		°C	°F			°C	°F			°C	°F			°C	°F
Ajaccio	S	20	68	Dubrovnik	S	20	68	Malta	S	23	73	Rhodes	S	22	72
Algiers	S	26	79	Edinburgh	C	13	55	Manchester	F	13	55	Rio de J'o	C	32	90
Amsterdam	F	19	66	Faro	S	27	81	Manila	–	—	—	Rome	S	21	70
Athens	F	21	70	Florence	S	23	73	Melbourne	F	21	70	Salzburg	–	—	—
Bahrain	S	33	95	Frankfurt	F	19	66	Mexico City	–	—	—	San Francisco	F	20	68
Bangkok	S	33	91	Funchal	–	—	—	Miami	C	25	77	Seoul	F	22	72
Barcelona	S	21	70	Geneva	S	24	75	Milan	S	24	75	Singapore	S	31	88
Beirut	–	—	—	Gibraltar	S	20	68	Montreal	C	19	66	Stockholm	C	11	52
Belfast	F	12	54	Glasgow	R	14	57	Moscow	C	14	57	Strasbourg	F	22	72
Belgrade	C	18	64	Guernsey	Fg	10	50	Munich	C	19	66	Sydney	F	20	68
Berlin	C	16	61	Helsinki	R	10	50	Nairobi	C	23	73	Taipei	C	26	79
Biarritz	Fg	16	61	H. Kong	C	27	81	Naples	S	22	72	Tangier	S	28	82
Bombay	F	32	90	Innsbruck	–	—	—	Nassau	S	27	81	Tel Aviv	F	20	68
Bordeaux	S	24	75	Inverness	C	12	54	New Delhi	S	38	100	Tenerife	–	—	—
Brussels	S	20	68	Islamabad	S	37	99	New York	C	20	68	Tokyo	C	17	63
Budapest	F	21	70	Istanbul	F	16	61	Nice	C	19	66	Toronto	C	19	66
B. Aires	C	20	68	Jakarta	R	32	90	Nicosia	R	24	75	Tunis	S	23	73
Cairo	R	28	82	Jersey	C	13	55	Oporto	F	15	59	Valencia	–	—	—
Cape Town	S	19	66	Jo'burg	S	23	73	Oslo	F	12	54	Venice	S	21	70
Caracas	R	27	81	Lima	C	23	73	Paris	S	21	70	Vienna	F	20	68
Casablanca	S	24	75	Lisbon	S	23	73	Peking	C	15	59	Warsaw	R	11	52
Chicago	C	26	79	London	C	11	52	Prague	F	19	66	Washington	–	—	—
Cologne	F	20	68	Los Angeles	C	23	73	Reykjavik	C	7	45	Zurich	F	21	70
Copenhagen	F	14	57	Luxembourg	S	18	64								
Corfu	S	23	73	Madrid	S	26	79								
Dallas	–	—	—	Majorca	S	23	73								
Dublin	F	14	57	Malaga	S	24	75								

Readings at mid-day yesterday.
C–Cloudy D–Drizzle F–Fair Fg–Fog H–Hail R–Rain S–Sun Sl–Sleet Sn–Snow T–Thunder

Chernobyl toll rises

Continued from Page 1

Pravda said that the three local officials, one of whom was expelled from the Communist Party and two others reprimanded, were in charge of the transport combine at the plant. Some 200 workers from this section were evacuated with their families.

After the evacuation, the leaders of this section, A Sichkaryenko and A Shapoval, did nothing, according to Pravda: "Pay was not issued in good time, clothes were not allocated, and the legal demands of the evacuees were ignored ... A Shapoval appeared to be completely indifferent to the fates of those in such a difficult situation."

Overall, Pravda said that most of those in charge at Chernobyl worked well during the crisis, although "certain bosses turned out to be psychologically unprepared for working in the conditions created by the accident at the atomic power plant."

The television statement announcing the latest death toll also said that work had been "considerably broadened" at Chernobyl to clean up its contaminated sections. "An effective cooling of the damaged reactor is under way and the entombment of the generating unit in concrete is continuing."

The statement added that the radiation situation in Byelorussia and the Ukraine, including Kiev, was improving.

SECTION II – COMPANIES AND MARKETS
FINANCIAL TIMES
Tuesday May 13 1986

Massey turns in surplus of $3.9m

By Bernard Simon in Toronto

MASSEY-FERGUSON, the Canadian-based multinational farm and industrial machinery maker, turned in a small net profit of $3.9m, equal to a loss of 18 cents a common share after preferred share entitlements, in the year to January 31. Earnings in the previous 12 months were $7.2m, equal to a 12 cent per share loss.

The latest results include reorganisation costs of $17.8m, a $7.3m foreign exchange loss, and losses of $20m from discontinued operations. The latter charge reflects losses at Massey's troubled combine harvester and foundries division which was spun off into a separate company as part of a restructuring completed last week.

Massey has a 40 per cent interest in the new Massey Combines Corp. Sales in the latest fiscal year dropped fractionally to $1.29bn. Penetration of the Australian market was badly dented by the devaluation of the Australian dollar.

Sales picked up significantly in the final three months of the year, rising by 12 per cent to $351m. The industrial machinery division, whose products include industrial tractors and materials handling equipment, posted a 24 per cent advance in sales. Tractor and farm equipment sales increased by $12m.

Mr Victor Rice, chairman, said that little improvement in the farm machinery market was likely this year.

Laurentian results rise to C$1.4m

By Robert Gibbens in Montreal

LAURENTIAN group, the publicly quoted Canadian holding company which owns financial services affiliates of Laurentian Mutual Insurance of Quebec, produced a net profit of C$1.4m (US$1m) in the first quarter, or 5 cents a share, against C$1.1m or 7 cents a year earlier on fewer shares outstanding.

Revenues were C$418m against C$231m, the increase mainly reflecting the acquisition of Yorkshire Trust, Vancouver, and Trident Group in Britain.

Laurentian plans to enter the Asian life insurance market this year, possibly in co-operation with a Hong Kong company, and plans further expansion in US and Europe.

Sharp upturn for Anderson Clayton

By Our Financial Staff

ANDERSON CLAYTON, the US food producer, achieved a sharp upturn in the third quarter to March 31. Operating net profit for the three months reached $10.8m, or 88 cents a share, compared with a loss of $1.34m, or 11 cents, a year ago.

This took the nine-month operating earnings to $13.3m, or $1.09. In the same period of the previous year profit was only $3.32m, or 27 cents.

Revenue for the latest quarter was down at $279.2m, compared with $314.8m last time, leaving the nine month total at $799m, against $903m.

Earnings for the latest three months excluded $13.05m from discontinued operations which took the final net to $23.84m, or $1.94 a share.

In the corresponding quarter a year ago, there was a $3.76m profit from discontinued activities which swung the final result to a profit of $2.42m, or 20 cents.

Dainippon Ink steps up Sun Chemical bid to $85 a share

BY WILLIAM HALL IN NEW YORK

DAINIPPON Ink Chemical, a major Japanese producer of printing ink, has increased its offer for a second time for Sun Chemical Corporation, a leading US manufacturer of graphic arts, and says that it is prepared to pay $85 per share if negotiations commence promptly.

Dainippon first offered to pay $75 a share and later increased its offer to $77 per share. Its latest offer led to a $4⅛ rise in Sun Chemical shares to $86⅝ in early trading yesterday. However, Mr Norman Alexander, Sun Chemical's 71 year old chief executive who controls 44.6 per cent of the company, said that the latest proposal was unacceptable to him personally.

Sun Chemical's board is currently studying Dainippon's offer and has yet to decide whether it is in the best interests of shareholders.

Meanwhile, the company commenced legal action against Dainippon in a federal district court in New York. The litigation seeks to block Dainippon from acquiring a significant interest in Sun Chemical, because Sun says that the "acquisition would result in serious and irreparable injury" to the defence-related business of Sun and the defence-related and marine transport businesses of Chromalloy American Corporation, in which Sun has a 44 per cent stake.

Sun also argues that Dainippon's threat to acquire a substantial amount of Sun Chemical stock is merely a tactic to force Sun to sell its graphic arts materials group to Dainippon at less than its true value. Sun said earlier that it was prepared to sell its important graphic arts business for $600m.

Finsider cuts 1985 deficit to L950bn

BY JAMES BUXTON IN ROME

FINSIDER, the Italian state owned holding company for the steel industry, last year lost L950bn ($628m), an improvement on the 1984 loss of L1,496bn, but considerably above all but the most recent forecasts for the group.

The loss was registered on sales which rose 24 per cent to L15,500bn, the company said. Finsider's biggest subsidiary, Nuova Italsider, lost L458bn; Deltasider lost L279bn and Terni lost L115bn.

Nevertheless Finsider, which has closed 3.8m tonnes of steelmaking capacity since 1983 and cut its labour force by 34 per cent from 128,000 to 85,000 since 1980, hopes to reduce its losses to L250bn in 1986 and to make a profit in 1987.

In the past three years considerable changes have been made in the group's product mix at its major plant. But an ambitious deal to swop EEC production quotas with the private sector company Falck failed to go ahead last winter, depriving Finsider of possible savings.

Until recently, Finsider was forecasting a 1985 loss of about L600bn and a small profit for 1987.

Finsider's forecasts for this year are clouded by the expected decline of the oil drilling market, and by the problems EEC steel exporters are encountering in the US.

Peruvian mining group warns of $50m loss

BY DOREEN GILLESPIE IN LIMA

CENTROMIN, Peru's biggest state-owned mining company, expects to lose $50m this year after making a $14.3m profit in 1985.

Losses are expected to come mainly from a 6 per cent fall in sales revenue to $360m from $383m last year owing to a decline in the price of most metals. Other factors include a frozen exchange rate since last August and Centromin's recent 47-day strike.

A company spokesman said last year's profit was largely made on foreign exchange earnings in the first seven months of the year before the Government halted daily mini-devaluations and froze the exchange rate.

Centromin made a net profit of $27m in 1984 and $50m the previous year.

In 1985 silver sales generated 37 per cent of company income followed by zinc and copper with 27 per cent and 21 per cent respectively.

Centromin – which the Government acquired in 1974 from the US-based Cerro de Pasco corporation – owns seven mines in the central sierra. These produced 8.01m tons of ore last year. It has eight concentrator plants with a capacity of 823,000 tons a year in addition to the smelting and refining complex at La Oroya, 175km east of Callao.

The company says it is working to cut this year's costs by $22m in an emergency programme, including cuts in investment projects. It has eliminated big projects, concentrating on small projects likely to produce quick results.

Centromin has a $40m investment and equipment replacement budget for 1986 of which about $25m is to be spent on replacing obsolete equipment.

The balance is to be used on small projects aimed at increasing yield over the next two years.

The company plans to spend $9m this year on the $37.2m expansion of the Andaychagua polymetallic mine. It is also to start work with $1m this year on a $10.5m expansion of the Cerro de Pasco mine.

Newmont plans share sale

BY KENNETH MARSTON IN LONDON

NEWMONT Mining, the US natural resource group in which Consolidated Gold Fields of the UK has a stake of about 26 per cent, is to make an initial public offering of 5m shares in its big Carlin open-pit gold operations in Nevada. The proceeds will be used to reduce bank debt.

Shares in the holding company, Newmont Gold (formerly Carlin Gold Mining), are expected to be priced at between $12 and $15. An over-allotment option for up to 500,000 shares has been granted to the underwriters, but after the offering Newmont Mining will still own at least 94.5 per cent of the gold subsidiary.

Newmont Gold is the second-largest producer of gold in North America and its operations have been in commercial production since 1965. Last year gold production totalled 218,613 ounces for a pre-tax profit of $13.4m. Output is expected to rise in 1986 to 330,000 oz after the start-up of the new Gold Quarry mine.

Eaton to acquire Singer division

By Terry Dodsworth in New York

SINGER, the Connecticut-based US company which is planning to spin off its traditional sewing machine business, yesterday announced a definitive agreement to sell its controls division to Eaton, the Cleveland components group.

The two companies said that Eaton would be paying "in excess of $200m" for the controls business, which is being sold by Singer to raise cash for its acquisition of Dalmo Victor, an aerospace electronics company. Singer completed the Dalmo Victor acquisition in March for $174m.

Over the course of this year, Singer has proceeded rapidly through a reorganisation programme that promises to change the character of the group radically before the end of 1986. Following a plan to reallocate its assets into the aerospace and defence sector, it recently purchased Allen Corporation, a designer and developer of advanced, technology-based training programmes for the Department of Defence, Nasa, and other government agencies.

The company said yesterday that when the planned spin-off of the sewing and furniture businesses is completed, it will be reorganising its technology interests into two divisions – one concentrating on electronic warfare activities and the other on training services. These will account for about 80 per cent of the company's sales.

At the annual meeting a few days ago, Mr Joseph Flavin, chairman, told shareholders that the company intended to submit a definitive plan on the divestment of the sewing machine and furniture interests by July.

The division being acquired by Eaton develops and produces electronic and electromagnetic control devices, principally for automotive and appliance manufacturers. It had revenues of $145.6m in 1985 and operating income of $20.4m.

Wal-Mart lifts earnings 42% in quarter

By Paul Taylor in New York

WAL-MART Stores, the fast-expanding southern US retail stores group, yesterday posted a 42 per cent gain in both sales and net income in the first quarter ending April 30.

The Bentonville, Arkansas-based group said net earnings grew to $73.4m or 26 cents a share from $51.7m or 18 cents on revenues which jumped to $2.34bn from $1.66bn a year earlier.

Mr Sam Walton, chairman, said "We are pleased with customer response to our renewed emphasis on 'everyday low prices' during this period of economic stability.

"We are also pleased that all divisions of the company achieved improved profitability from the strong sales gain. Our inventories are within plan and continued commitment to expense control provides us real opportunities to achieve our aggressive sales and earnings objectives for the second quarter."

Wal-Mart, which just a decade ago had less than $500m in annual sales, has become one of the fastest-growing stores groups in the US. It opened 30 new Wal-Mart stores and seven Sam's Wholesale Club units during the first quarter. At the end of April the group had 889 Wal-Mart stores and 30 Sam's units in operation.

Henkel profits improve despite fall in sales

BY DAVID BROWN IN DÜSSELDORF

HENKEL, the West German chemicals concern best known for its washing powders, reports its operating profit in the first quarter this year "improved" despite a drop of 9 per cent in worldwide turnover during the period to DM 2.19bn ($1bn).

The group has also forecast better net profits for the full year, although 1986 sales revenue is expected to stand unchanged as a result of the strength of the D-Mark.

The group, which raised well over DM 400m in its first-ever public share issue last autumn, managed to increase net profit for 1985 by 36 per cent from DM 129.54m to DM 176.55m, and is to pay a dividend of DM 3 per preferred non-voting share

A largely completed rationalisation programme which has yielded improved efficiency counteracted the 1.3 per cent drop in 1985 sales revenue to DM 9.223bn.

Henkel's expectations for 1986 are slightly better than those of the West German chemicals industry as a whole. The group is relatively less dependent on dollar-denominated receipts, explains Dr Hans-Otto Wieschermann, executive vice-president.

Moreover, it hopes to make up for stagnant sales revenue by increasing sales volume (which rose by 3 per cent in the first quarter ending March) and by lower financial, purchasing and production costs.

While it has been forced to pass on lower raw material costs to its industrial customers, Henkel hopes to push through price increases on its washing powders in all markets.

Widely known for its washing powders (Henkel developed Persil), detergents accounted for 29 per cent of its total turnover last year. A further 31 per cent was generated by chemicals, 18 per cent by adhesives, 15 per cent by hygiene/technical cleansers and a further 7 per cent by cosmetics.

The group says it plans to pursue "an active acquisition strategy" this year. It has also signed a letter of intent with the US Hercules chemicals company to merge their water-soluble polymers operations starting in early 1987, and with Ultra of Brazil to build a new fatty alcohols and acids factory.

Henkel expects strong West German and European markets. However, an extensive restructuring of the US operation is not expected to yield profits until 1987, while markets among oil-exporting customers are expected to be weak throughout the year.

SEC ruling hits US oil groups

BY OUR NEW YORK STAFF

POGO Producing Company, which has oil and gas interests in the Gulf of Mexico, lost $46m in its first quarter, and Texas Eastern, another Houston-based energy group, has cut its already announced first-quarter earnings by more than 80 per cent to $6m, as reported briefly yesterday.

The two companies are the latest in a series of oil and gas producers to suffer through the US Securities and Exchange Commission (SEC) decision that oil and gas reserves must be written down to market value based on current oil prices. The SEC's decision requires companies using the full-cost-accounting method for oil and gas exploration and production activities to perform a "cost ceiling test" at the end of each fiscal quarter.

Mr William Gipson, president of Pogo, which was forced to take a $91.3m pre-tax writedown on its oil and gas properties, has attacked the SEC's surprise decision to insist on quarterly adjustments to the value of reserves rather than making the adjustments on an annual basis.

Over the last six months, oil futures prices have dropped from more than $30 to $10.40 a barrel at March 31, which marks the end of most oil companies' first quarter. Since then, they have rebounded above $15 a barrel.

Mr Gipson says the SEC decision produces "unrealistic results" and "the adjustments permanently reduce companies' equity accounts, which under present rules cannot be restored should oil and gas properties go up again, which we feel will happen."

Mr Gipson wants the SEC to permit reasonable increases in price for both oil and gas over the lifetime of the properties. That practice is followed by oil companies, banks and reservoir engineering firms, says Mr Gipson, who believes that keeping the price at $14 or $15 a barrel for the entire life of a property is "unrealistic."

Mr T. Boone Pickens, head of Mesa Limited Partnership, who has had a better record than most in forecasting oil prices, agrees with Mr Gipson's view that prices are heading higher and has announced that Mesa is cutting its production by 20 per cent from the beginning of next month.

"Mesa's management has carefully analysed crude-oil supply and demand, and we believe that prices will rebound to $20 per barrel by the end of 1986," says Mr Pickens, who earlier attracted attention after he disclosed that he had hedged the sale of Mesa's first-quarter production at $26 a barrel on the New York Mercantile Exchange

Warburg recruits former Fed man

By William Hall in New York

MR ANTHONY SOLOMON, the former president of the Federal Reserve Bank of New York, has been appointed non-executive chairman of S.G. Warburg (USA), the newly established holding company for Mercury International Group's US investment banking activities.

The appointment of Mr Solomon, a well known figure in international financial circles, comes less than a week after Morgan Stanley, the New York investment bank, announced that Lord Richardson, the former governor of the Bank of England, had been appointed chairman of Morgan Stanley International, the holding company for its growing international operations.

Both appointments underline the speed with which major European and US investment banks are invading each other's traditional territories.

S.G. Warburg, the London merchant banking arm of the Mercury International Group, was a late arrival in the New York financial markets, but has recently reorganised its US operations into a new holding company, S.G. Warburg (USA). Mr David Scholey, chairman of Mercury International Group, says that Mr Solomon will be "playing a particularly active role in the expansion of our US activities."

Mr Solomon, aged 67, who is credited with helping defuse the international debt crisis while at the New York Fed, says that he expects to be "significantly involved in the further development of Warburg's US business."

Mr Scholey said yesterday: "The US market represents an important area for our group, and Tony's widely recognised experience and knowledge will be invaluable to us."

S.G. Warburg (USA), which has a capital of about $65m, has two main operating subsidiaries – merchant banking and equities and fixed income.

INTL. COMPANIES & FINANCE

Irish software industry attracts global interest

BY HUGH CARNEGY IN DUBLIN

WHEN MSA, a leading US software concern, announced last month that it was to take over Real Time Software (RTS), it capped an impressive success story for the Irish company and was something of a landmark in the young but fast-growing Irish software industry.

It was no surprise that the press release announcing the deal included a welcoming comment from the Irish Industrial Development Authority (IDA), which was a key early backer of RTS and which has gone to some lengths to establish a software industry in Ireland.

RTS, with a turnover last year of I£6m ($8.4m), grew from a fragile start in 1980 by four men gambling with second mortgages. Six years later, nurtured by IDA aid of some I£500,000, it is an international company employing 160 people in eight countries with customers in 27.

Under the direction of Mr Maurice Spillane, a former accountant with Braun, the West German appliance group, RTS forged success by making manufacturing and financial packages, mainly for IBM mini-computers.

Its top products are Probics, a comprehensive manufacturing package for the chemical and pharmaceutical industry, and Spectra, a financial package that includes multi-language and multi-currency facilities as well as coping with the different tax regimes of countries as diverse as Switzerland and Brazil.

Customers attracted to RTS products include Beechams, ICI, Colgate, Allied Breweries and General Foods.

RTS had attracted investment of I£1m from the venture-capital company 3I, but by late last year was in need of greater backing to expand further. It came from MSA, based in Atlanta, Georgia, which at present mainly serves IBM mainframe users and sees RTS as a way into the mini-computer market.

Mr Michael Hunt, executive vice-president of MSA, said his company was also attracted to the research and development prospects held out by the RTS team in Dublin.

One of the first fruits of the MSA-RTS deal, the final details of which have yet to be worked out, is for the recruitment this year of 30 new staff in Dublin to add to the existing 60 working at company headquarters overlooking Dublin's O'Connell bridge.

Such job creation is what cheers the IDA and it is the prospect of strong growth that has drawn it into the software industry.

Mr Spillane's vision that Ireland might become "the Japan of the software industry," turning its lack of a significant home market into an advantage by forcing people to sell around the world – may be over-ambitious.

So far, there are about 300 indigenous companies in software manufacture, but that figure includes one-man, attic-room outfits. Up to the end of last year, the IDA had given grant aid to 79 software companies then in production, 47 of them Irish. About a dozen of the Irish companies, such as Kindle Systems, G. C. McKeown and Insight Software, have expanded to include sales and service offices in the UK and beyond.

Their products include accounting packages, money-market packages, education software and packages for the medical and other professions. IBM, ICL and DEC computers are just some of the hardware serviced.

International names in software in Ireland includes Ericsson, Lotus and IBM, which established the third European software development facility in Ireland in 1982.

The IDA is spurred on in its efforts by good job-creation performance in the sector, a vital consideration when Irish unemployment at 18 per cent is proportionately the highest in the European community, and still rising.

Veba lifts earnings

BY OUR FINANCIAL STAFF

VEBA, the West German utility and energy group, has continued to improve profits over the first quarter of 1986, lifting net earnings from DM 162m to DM 166m ($76m).

The improvement has been achieved despite a decline in mineral oil sales. Earnings from electricity, chemicals and trading and transport were satisfactory, the company said.

The fall in oil prices and the lower dollar brought lower turnover mainly in the mineral oil sector, Veba said. In chemicals a somewhat lower sales volume was largely compensated for by the acquisition last May of Nuodex.

Turnover in mineral oil, including petrochemicals, totalled DM 3.7bn, 19.1 per cent down on the first three months of 1995, and the trading division's turnover also dropped 19.3 per cent to DM 2.48bn. Total first quarter turnover fell 12.4 per cent to DM 10.93bn.

Tokyo considers equity ratios move

BY YOKO SHIBATA IN TOKYO

THE JAPANESE Ministry of Finance (MoF), anxious to comply with the Bank for International Settlements' (BIS) view about what constitutes an adequate approach to equity ratios, is considering allowing the country's banks to issue capital notes.

This would be one of a number of measures to raise the equity of Japanese banks to levels prevailing elsewhere. Bank of Tokyo will probably be the first to be allowed to issue capital notes in the Euromarket this autumn.

Under the current guidelines the equity ratio is calculated by taking deposits, certificates of deposits and bond holdings as a proportion of broadly defined capital. The 13 "city" or commercial banks have an average ratio of 2.4 per cent, extremely low by international standards of around the 5 per cent mark.

The current level is 2.5 per cent at the country's long-term credit banks and 2.7 per cent for the trust banks which act as fund managers.

Under MoF guidance, the five main city banks last year raised funds through convertible bonds in the Eurodollar market and new share issues domestically. They were, however, obliged to return to shareholders part of the premiums obtained in both markets and all five banks are planning three-for-100 scrip issues later this year. Raising capital has therefore turned out to be a costly way to improve equity ratios.

The Financial System Council, an advisory body within the MoF, now wants to change the definition of both the numerator and the denominator in the ratio formula.

The council has suggested that banks' hidden reserves—consisting mainly of the difference between the historic value and current market value of securities held—should be included. The most promising idea is to include 70 per cent of these hidden reserves in capital.

Another idea is the introduction of capital notes which have been widely in use in the US and UK and their inclusion in net worth. Capital notes are 15 to 30-year liabilities and are defined clearly as borrowing.

Means are also being explored of cutting the assets denominator down to size. One idea is to accelerate the securitisation of loans in Japan, a process already under way elsewhere in the world. Another way is the introduction of a risk-asset ratio in line with those already adopted in the UK.

The ministry appears to have decided on a dual system of supervision, using separate criteria of capital adequacy—the risk asset ratio to conform with international standards set by the BIS, and a domestic 5 per cent ratio using hidden assets and capital notes.

It has drawn up two tentative plans for introducing a risk-asset ratio for banks' foreign currency and Euroyen external assets which will replace existing gearing ratio controls on external assets.

It is open to question why only external assets are to be monitored by a risk asset ratio, although some bankers see the plan as a clear response by the MoF to foreign pressure.

Total assets of Japanese banks' London subsidiaries surpassed those of the US banks two years ago. This evoked bitter criticism from their US and European competitors, which argued that Japanese banks—free from the constraints of equity ratios—were able to increase assets by offering loans with thin interest spreads, while the others were restricted by much stricter ratios imposed on them.

Later the US financial authorities made clear their expectation that their Tokyo counterparts should see to it that Japanese banks begin playing by the same rules as others in the international capital markets.

Bank of Tokyo is set to be test-driver of the capital notes, due partly to the bank's special nature in being able to issue bank debentures as the only specialised foreign exchange bank among the city banks.

The country's three long-term banks are vehemently opposing the move to allow city banks, which are restricted to short-term capital operations, to raise long-term funds through capital note issues.

Domestic issue from Austria

By Patrick Blum in Vienna

THE Austrian Government is to launch a Sch 5bn ($322m) domestic bond tomorrow, its largest domestic bond issue so far this year. A Sch 3bn issue was launched in February.

Part of the new issue, totalling Sch 4.5bn, will be open and split into three tranches with volume determined according to market demand. It will include an eight-year tranche with a coupon of 7.25 per cent priced at 101 per cent giving a yield of 7.08 per cent, a 14-year tranche with a coupon of 7¾ per cent priced at 99.75 per cent giving a yield of 7.4 per cent, and an 18-year tranche with a coupon of 7.5 per cent priced at 98.5 per cent giving a yield of 7.66 per cent.

An additional Sch 500m zero-coupon tranche for 12 years will be issued at par with a redemption price of 230 per cent giving a yield of 7.19 per cent.

The government has increased its borrowing this year to meet higher budget requirements. Altogether it is expected to raise about Sch 30bn on the foreign markets this year.

Singapore plans state bonds

BY CHRIS SHERWELL IN SINGAPORE

SINGAPORE is to start regular issues of government bonds by the end of the year in a major move to develop the domestic capital market and broaden the range of financial services available in the island state.

The Monetary Authority of Singapore (MAS), the country's powerful financial regulatory agency, yesterday announced the formation of a joint steering committee to implement the changes. The committee will include MAS officials and members of the financial community.

The changes are based on recommendations by Mr Paul Meek, a former official of the Federal Reserve Bank of New York, helped by Mr Jorge Braithwaite, also from the New York Fed. A consultative paper is now circulating locally for comment before implementation begins.

Under the proposals, about S$7bn (US$3.18bn) worth of government securities will be issued in the first year, and S$38bn-worth in the first five years. The securities—treasury bills of three-, six- and 12-month maturities, and two-year and five-year notes—will be issued according to a clear schedule and will be taxable.

The net proceeds of S$1.3bn in the first year and S$2.6bn in the first five will be recycled into the banking system, where the liquidity requirements imposed on banks are to be revised to take account of the changes.

The recycling will be done because the purpose of the reform is not to raise funds but to develop the capital market. The government is plainly satisfied with its present ability to raise funds, and wants to develop fresh avenues of investment beyond real estate, the stock market and the banking system.

This, it says, would form the basis for an active fixed-income securities market in which statutory boards and private sector companies would later also issue debt instruments. In the process, funds could be managed more flexibly by all financial institutions.

Hitherto, Singapore's government securities market has been relatively inactive precisely because no bond market has been needed as a source of government funds. Three-quarters of the S$18bn currently outstanding, for example, is held by the Central Provident Fund (CPF), the compulsory savings scheme for all employees.

Like the CPF, the other main bond-holders—the Post Office Savings Bank, the commercial banks and insurance companies—are required to hold certain amounts of bonds by regulation. Discount houses have traded them, and their role too, especially in relation to monetary policy, will now alter radically.

The government's attitude to open market operations will also change. Hitherto, the MAS has not used the bond market to develop such operations as an instrument of monetary policy because it has preferred to use direct lending or borrowing from banks or foreign exchange swaps.

Now the government will conduct its own open market operations through an exclusive group of its own securities dealers, through which all tenders for primary issues will be submitted.

Foreign banks press Japan on liberalisation

By Carla Rapoport in Tokyo

LEADING international banks, increasingly dissatisfied with the pace of financial liberalisation in Japan, are now seeking widespread diplomatic support in order to step up the pressure on Japan to change its ways.

The Institute of Foreign Bankers, which represents leading foreign banks in Japan, has produced a working paper outlining the alleged inequities of the Japanese financial system. This, in turn, is being passed to the US, British, Swiss, West German, Dutch, French, Canadian, Belgian and Italian embassies as the basis for bilateral negotiations with Japanese officials in Tokyo.

Bilateral negotiations with the Japanese can prove fruitful, if lengthy. Talks in Tokyo and London, for example, recently resulted *in the granting* of three securities licences for UK banks and one banking licence for a Japanese securities firm.

"We are still unsatisfied with the progress (on liberalisation) which has been made to date," says Mr Paul Hofer, first vice-president and manager of Credit Suisse in Tokyo. "The Japanese seem to try hard. But when the result arrives, it is often not what the Western ear has heard."

The working paper has not been publicly released, but it is understood to contain a long list of recommendations which would eliminate the kind of second-class citizenship which foreign bankers work under in Japan.

The recommendations are believed to include:

- A call for full interest rate deregulation in Japan;
- The establishment of a comprehensive system of discount facilities, allowing access by foreign banks according to *their total assets, for example;*
- The creation of a free interbank yen market, such as the London Eurodollar market or dollar interbank market in New York. This would remove collateral requirements which are claimed to limit the competitiveness of foreign banks in Japan;
- The establishment of true domestic money market brokers;
- Full liberalisation of Euroyen markets;
- A widening of trading in domestic bonds to include floating-rate and fixed-rate debt instruments; and
- The securitisation of bank assets and liabilities, with banks allowed to trade these instruments.

The paper is also understood to have expressed grave doubts about the proposed offshore banking unit. "I have a fear it will be a dead baby, similar to the bankers acceptance market here," says Mr Hofer of the offshore facilities. "Regu*lations surrounding it will not* be able to give it life."

Europaper for Morgan Stanley

By Peter Montagnon, *Euromarkets Correspondent*

MORGAN STANLEY has become the second US investment bank this month to announce plans to tap the Eurocommercial paper market. It is to offer up to $500m through its London arm, Morgan Stanley International, as sole dealer.

Earlier, Merrill Lynch announced a similar programme, as investment banks which have been busy bringing their clients to this new market gear up to tap it as a cheap source of funds for themselves.

Meanwhile MoDo, the Swedish paper concern which last week tapped the D-mark bond market for DM 100m, has *also signed up* a $100m Eurocommercial paper programme. Dealers will be Chase Manhattan, Merrill Lynch and Svenska International.

Idaho and Alabama banks fail

THE FEDERAL Deposit Insurance Corp. (FDIC), has announced that two banks, one in Idaho and the other in Alabama, failed on Friday and reopened yesterday under new ownership, Reuter reports from Washington.

The First Bank and Trust of Idaho, of Malad City, Idaho, was taken over by the Idaho First National Bank of Boise.

The Rainsville Bank, of Rainsby the Jacobs Bank of Scotsville, Alabama, the FIDC said.

The Idaho bank failed because of "continued adverse agricultural conditions and also the generally poor economic climate in Idaho," State Director of Finance, Mr Tom McEldowney said.

The bank had assets of $50.1m. Idaho First will assume $54.7m of its liabilities in 12,300 deposit accounts and will pay the FDIC a purchase premium of $280,000. It will also take over certain loans and assets of the failed bank for $29.9m.

The Rainsville Bank had assets of $16.6m. Jacobs Bank will assume $15.6m of its liabilities in 4,500 deposit accounts and pay the FDIC a purchase premium of $1,096,000.

Good reception for $250m floater from New Zealand

BY CLARE PEARSON

SALOMON BROTHERS International issued $250m worth of floating-rate notes for New Zealand yesterday. The 10-year issue, which pays ⅛ per cent over six-month London interbank bid rate, traded quickly at levels slightly below the 100.15 issue price. In the afternoon it was bid at a discount of 2 basis points, as against 17½ basis point fees.

The issue was well received because there is a scarcity of sovereign paper in the floating-rate note market at present. Also, New Zealand has long been a favoured name in that sector, although it is only AA rated. The recent $100m perpetual bond for Development Finance Corporation of New Zealand received a boost from the success of the state issue, and traded yesterday at its issue price.

In sharp contrast to the floating-rate note sector, the fixed-rate dollar Eurobond sector was blighted by further price falls in US Treasury bonds. Thus Credit Suisse First Boston's $130m offering for Japan Highway Public Corporation, albeit AAA rated, fared badly. The 7¼ per cent 10-year bond was priced at 100¼ to yield 17 basis points over comparable US Treasury bonds. Dealers thought this tight even before prices in New York fell.

Equity-related bonds looked healthier, and two new issues were launched. US houses are infrequent issuers of equity-related bonds, but Chemical Bank launched a $100m convertible for the Rouse Company, the US real estate company.

Pricing of Rouse's 10-year bond will occur on May 21, but the coupon is expected to be between 5¾ and 6 per cent, and the conversion premium 24 to 28 per cent over the five-day average market price prior to pricing. The shares closed at $32 last Friday. The bonds will be callable from 1992 initially at 106 per cent, and then at declining premiums.

Union Bank of Switzerland (Securities) issued a $100m bond for Societe Generale de Surveillance the Swiss control and inspection company. The 10-year bond with an indicated coupon of 3¼ per cent carries warrants exercisable into bearer non-voting shares ("bons de jouissance") of the company. The exercise price will be set on May 14 at or around the closing price of the non-voting shares. The bond will be callable from 1992 at par.

Prices in the Deutsche Mark sector deteriorated by up to one per cent yesterday as some selling pressure emerged. Dealers say concern *about local* elections in Lower Saxony soon is affecting the market. Nevertheless, there were three new issues. Deutsche Bank led a DM 500m 30-year bond for German Public Sector Finance, secured by a promissary note from the German Post Office. The 5¾ per cent bond was priced at 98¾.

Metallgesellschaft, the mining, engineering and chemicals group, brought its first Euromarket issue, led by *Dresdner* Bank with Deutsche Bank as co-lead. The 10-year bond has a coupon of 2¾ per cent. There are equity warrants exercisable into the shares of the company at a small premium to the share price, which closed at DM 344. Final terms were set on Bayerische Vereinsbank's DM 70m five-year equity-warrants bond for Senko, the Japanese transportation group. Its coupon was set at 1½ per cent, the lowest level yet on a DM bond. The bond traded at a premium to issue price. Later this week Daimler-Benz is expected to launch a DM 500m 5¾ per cent issue.

There was an Ecu 50m deal for International Finance Corporation, the affiliate of the World Bank, which launched a dollar bond last week. Led by Credit Commerciale de France, the 10-year Ecu bond bore a coupon of 6¾ per cent.

Prices in the Swiss franc market were unchanged in quiet trading. Final terms were set on two issues. Yokohama Rubber's SFr 80m five-year bond was priced with a coupon of one per cent by Banque Paribas as was Marukyu's SFr 45m five-year bond. The exercise premium on the warrants on both bonds was set at around 2.5 per cent. Yokohama's shares closed at Y340 and Marukyu's shares at Y1,480.

Prices of yen bonds turned down yesterday on profit-taking, so that recent issues traded outside fees. Nomura International nevertheless launched a Y20bn 12-year bond for Province of Quebec, with a coupon of 6 per cent and priced at 101¼.

Late in the day Banque Paribas London branch launched on *its own behalf* a $100m two-tranche three-year deal, where redemption amounts are linked *to the price of the* US Treasury bond 9¼ per cent 2016. On the first 10 per cent tranche, if this is 128¾ per cent, redemption will be at par, on the second 8 per cent tranche, redemption will be at par if the price is 114¾. Both tranches have issue prices of 101¼ and have issue amounts of $50m.

The Bank of Portugal in Lisbon said that Portugal is issuing a "bulldog" bond today.

FT INTERNATIONAL BOND SERVICE

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Closing prices on May 12

INTERNATIONAL COMPANIES and FINANCE

JVC net earnings suffer steep setback

By Our Tokyo Staff

EARNINGS at Victor Company of Japan (JVC) were cut by more than half in the year to March, a setback which the company blames on the steep appreciation of the yen and a drop in sales of video cassette recorders (VCRs) to the US and China.

Pre-tax profits for the parent company plummeted 51 per cent to Y20.8bn ($128.2m) while net profits were down 53.7 per cent at Y9.11bn. Turnover of Y588.13bn was 9.5 per cent lower than in the previous year.

Net earnings per share plunged to Y39.43 from Y85.22, but the final dividend is unchanged at Y6.25 to pay Y12.50 for the year.

For the current year, a further drop of 27.9 per cent in pre-tax profits to Y15bn is expected, even though sales are forecast to recover by 7 per cent to Y630bn, chiefly because of a Y100bn contribution from the group's camcorder — a small VCR with a built-in video camera.

In the past year, sales in the VCR division suffered a 14 per cent drop, due chiefly to a reduction in the number of companies supplied on an original equipment manufacture basis, as well as to the shift of production bases to European affiliates and sluggish sales in the US.

Sales of video disc systems and compact disc players increased, but a new line of information equipment did not perform well, mainly because of weak demand for personal computers in the US.

In the current year, JVC plans to boost production of compact disc players, while it expects static sales of audio equipment and television sets.

Profit estimates are based on a dollar exchange rate of Y175 in the first half and Y165 in the second six months. However, the yen's appreciation has been much faster than the company expected—the close in Tokyo yesterday was Y160.20.

JVC hopes again to maintain the annual dividend.

Kia Motors embarks on expansion

Steven B. Butler on the interest of the Korean Government and of Ford Motor of the US in Korea's largest truck and van manufacturer

KIA MOTORS, one of South Korea's largest manufacturing companies, has embarked on a major expansion with the acquisition of Korea Heavy Machinery Industries, an insolvent company which has been under bank management since 1981.

The acquisition, announced by the Korean Government last Friday, is the opening shot in what is expected to be a series of acquisitions and mergers involving large bankrupt companies under the terms of a new tax reduction and exemption law. The Government also announced the merger of the bankrupt Poong Man paper company with Kyesung Paper Company.

The terms of the acquisitions have not been fully disclosed. Korea Heavy Machinery, which makes rolling stock, machinery and machine tools, is reported to have accumulated debts of 196.3bn Won ($221.4m) compared with assets of 101.5bn Won, and has an accumulated loss of 112.3bn Won.

In order to sweeten the takeover, Kia will be given exemptions and reductions on a variety of taxes, including capital gains taxes, and acquisition and registration taxes. Korea Development Bank, which has managed Korea Heavy Machinery for the past five years, has extended 180bn Won of loans which will be repayable over 10 years after a 10-year grace period.

Kia Motors said that a principal attraction of the acquisition was Korea Heavy Machinery's extensive property holding throughout South Korea. Government regulations usually inhibit the acquisition of property by large companies.

Kia's 1985 revenues of 500.6bn won came mainly from the manufacture and sale of small vans and trucks. It is in the middle of a rapid expansion, and will begin assembly and export of a new "minicar" to the US next year. Kia expects to build a new assembly plant on land owned by Korea Heavy Machinery.

Kia, which is owned 8 per cent by Mazda of Japan, is also involved in talks with Ford Motor of the US about a possible Ford purchase of a major equity stake in Kia. Ford has already agreed to market Kia's minicar in the US under a Ford label. The company said that talks with Ford, which have been under way for nearly a year, had recently "intensified" and he expected an agreement would be enacted before the end of the year.

Neither the size of a Ford stake in Kia nor the purchase price have been resolved. According to those outside Kia familiar with the negotiations, Ford has baulked at paying the full market price of Kia shares, which have risen sharply in the past year. Ford says the run-up is partly due to the widespread knowledge that Kia has entered negotiations with Ford.

Kia has paid-up capital of 80bn won, and plans a rights issue before the end of the year of at least 20bn won. It hopes to complete a Ford deal at that time.

Kia's acquisition of Korea Heavy Machinery will also bring it additional manufacturing facilities, and some will be converted to produce automotive components. Kia said that Korea Heavy Machinery was roughtly 40 per cent the size of Kia. Individual manufacturing facilities will be merged where appropriate with Kia Machine Tool, a Kia subsidiary, although Korea Heavy Machinery would continue to exist as a separate entity.

The process by which Kia reached agreement to acquire Korea Heavy Machinery has come under sharp public attack. The law under which the Government engineered the acquisition was pushed through the National Assembly late last year by the ruling party.

Newspaper commentaries have called for full disclosure of the process by which Kia was selected and the full terms of the acquisition, on the grounds that it is being heavily subsidised by the public. There have also been calls to subject future acquisitions of insolvent companies to public bidding, in order to keep subsidies at a minimum.

About 20 large involvent companies are expected to undergo similar mergers by the end of the year, including Namkwang Construction, companies of the Myongsung and Kukje groups, Dae Sung Lumber, and Keang Nam Enterprise.

The Korean Government has resisted forcing large bankrupt companies into liquidation because of the loss of jobs and the collapse of suppliers that would follow. The scale of the accumulated problem is also such that liquidations would cripple the banks, which have exposure believed to reach billions of dollars.

The solution chosen by the Government has been to punish company owners, even to the point of confiscating passports and forcing the sale of private homes (although these had been offered as collateral for company loans), and then to turn company losses into a feneral burden on the taxpayers and the economy as a whole.

The secrecy under which decisions have been taken, however, has prompted charges that others who helped cause corporate failures, bankers for example, have been unfairly spared from having to assume any responsibility. Government favours to big business are seen by some as having been excessively sweet.

Five Japanese banks support shipbuilder

BY YOKO SHIBATA IN TOKYO

FIVE OF Japan's leading commercial banks are to form a loan consortium which will provide a breathing space for Kurushima Dock, the country's largest shipbuilder in terms of building capacity.

Japan Credit Bank, Sumitomo, Fuji, Sumitomo Trust and the Industrial Bank of Japan will extend Y30bn ($184.8m) out of a Y40bn expected short fall in the company's financing programme for the current year to September. The remainder will come from smaller regional banks and other institutions.

Kurushima is expected to remain in the black this year, however, and the five banks emphasised that the loans are not an emergency bail-out, but supplemental to Kurushima's financing plans for the year.

Japan Credit Bank, which has the largest lending to the Kurushima group, will provide Y10bn of the total.

Kurushima Dock has been the envy of its rivals amid the deepening shipbuilding recession, as it maintains a high level of backlog orders thanks to its aggressive pursuit of orders. However, an increasingly large proportion of payments for vessels has been made of late by deferred bills which are difficult to turn into cash. This has upset Kurushima's financing programme and caused a shortage of funds.

Apart from its three large shipbuilding affiliates—Sasebo Heavy Industries, Hakodate Dock and Kanazashi Zosen — Kurushima has more than 100 group companies involved in hotels, golf courses, newspapers, and transport through taxi, bus and seaborne services.

The parent company alone had outstanding bank borrowings of Y224.9bn at the end of October 1985, and debts of the top 30 group companies came to more than Y500bn. The parent's financial squeeze has been a matter of concern for the Ministry of Finance and the Bank of Japan. The financial authorities have welcomed the commitment by the five banks as a way to ease the group's credit position.

In return for the fresh loans, Kurushima is believed to have drawn up a streamlining programme which includes the closure of some of its 21 slipways.

Mr Hisao Tsubouchi, its president, said yesterday the company would shed 1,700 seasonal workers at its 16 shipbuilding affiliates — where it employs a total of 7,000—and transfer 800 of its own workforce to affiliated companies by June.

The purpose of the rationalisation is to transform Kurushima Dock into a company that can yield profit even at a dollar exchange rate of Y150, he added.

The Kurushima group has been noted for its price competitiveness achieved through low wages. It also employs a unique fund raising method under which, for example, the company accepts the payment for a vessel construction mostly in five-year bill form.

However, amid the deepening shipping recession, the bills drawn by the shipowners have lost creditworthiness

BAT unit in India plans for growth

By P. C. Mahanti in Calcutta

ITC, the Indian subsidiary of British American Tobacco, is to embark on diversification and expansion plans which are designed to more than quadruple turnover to Rs 40bn ($3.24bn) by the end of the century.

Sales totalled Rs 8bn in 1984-85 and Mr J. N. Sapru, the chairman, forecasts that this will rise by about 13 per cent to Rs 9.2bn during the current year to June.

The company's hotel business is being restructured with three hotels transferred to a Bangalore subsidiary in order to raise funds for a modernisation programme in the tobacco, printing and packaging businesses.

ITC is also seeking to diversify into petrochemicals, agro-industries and building materials.

Saudi bank ends US service contract

SAUDI Investment Bank (SAIB) is to end a technical services management contract with Chase Manhattan Bank of New York when the contract expires in March 1987, writes Finn Barre in Riyadh.

The contract dates from the formation of the bank in 1976. At its peak, 20 Chase personnel were seconded to SAIB, but the current presence is only five as part of a move to local management. Chase is seeking official permission to sell its 20 per cent stake in the bank, which has paid no dividend for the past two years.

Teleprinter concern files for protection

SHINKO SEISAKUSHO, a Japanese maker of teleprinters, filed for court protection yesterday under the corporate rehabilitation law, Kyodo reports from Morioka, northern Japan.

Debts owed by the Hanamaki-based company total some Y19bn ($117.1m). The insolvency followed the decision of Heiwa Sogo Bank, its chief financial backer, not to extend additional relief loans. Heiwa, Japan's sixth largest mutual bank, is liquidating its own debts prior to its merger with Sumitomo Bank.

UK COMPANY NEWS

Unilever improves its margins

BY MARTIN DICKSON

Unilever, the Anglo-Dutch consumer products and food group, has reported pre-tax profits for the first quarter of 1986 of £218m, up 11 per cent on the £196m recorded in the same period of last year, on sales down 13 per cent to £3.77bn (£4.33bn).

The company said it had been an excellent quarter. The principal factors behind the increase in profits were improved margins in Europe, significantly improved financial items and a lower rate of taxation.

Earnings per share were up 28 per cent, at comparable rates of exchange, even though the 1985 quarter benefited from the incorporation of Brooke Bond's fourth quarter 1984 results and the profit on the sale of a French trade investment.

At end-March rates of exchange, profit attributable was up 28 per cent and earnings per share were 32.87p (25.60p).

Unilever said it was confident about 1986 as a whole, though it was unlikely that the rate of improvement in earnings per share achieved in the first quarter would be maintained over the next nine months.

Underlying sales volume in the first quarter was fractionally higher. Excluding the extra quarter of Brooke Bond, sales value was down some 7 per cent, due to disposals and lower selling prices. Operating profit was up by 2 per cent, at £208m (£204m).

In Europe, operating profit was £136m (£127m), a 7 per cent increase, thanks to an improvement in food business results, with marked increases in profits from edible fats and tea. One exception was frozen products, where increased competition in quick frozen foods reduced results. Detergents and personal products reported significantly increased profits.

In the US, there was a £13m (£20m) operating loss, which Unilever said reflected its continuing investment in the market, especially household products in Lever Brothers, though at a somewhat lower level than in the first quarter of 1985. There was little change in the results of its other North American businesses.

Operating profits in the rest of the world totalled £85m (£97m), though if the extra quarter for Brooke Bond included last year is stripped out, the results were unchanged. Lower tea and edible oil prices depressed plantation profits.

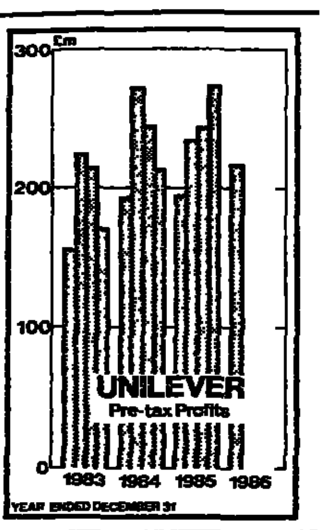
Profits from associates totalled £17m (£10m), largely because of Nigeria and Brooke Bond. Interest receivable totalled £35m (£24m), while the interest change was £44m (£54m), fixed investment income was £2m (£12m).

The tax charge was unchanged at £92m, which includes the effect of the reduction in UK Corporation Tax.

The net interest charge benefited from a combination of higher funds, the result in part of its disposal programme, lower borrowing costs and capital gains on fixed incomes securities as a result of falling interest rates.

See Lex

Mr Michael Angus, chairman-elect of Unilever



Lloyds hits time snag over its bid for Standard

By David Lascelles, Banking Correspondent

Lloyds Bank may not be able to complete its £1.2bn hostile bid for Standard Chartered Bank within the time laid down by the Takeover Code because of delays in obtaining regulatory approval in the US.

As the skirmishing in the UK's largest bank takeover began in earnest yesterday, Standard Chartered pointed out that Lloyds must get the go-ahead from the Federal Reserve Board for a change in ownership of the Union Bank, Standard's California subsidiary. This is a requirement of US banking law.

Standard's research showed this takes a minimum of 85 days, and possibly more than 150 days. The Code says that takeovers must be completed within 60 days from the formal offer, plus 21 days after the offer becomes unconditional, making a total of 81 days.

Lloyds is due to post its formal offer to Standard's shareholders tonight, which is when the clock starts ticking. Mr David Horne, the director of Lloyds Merchant Bank which is managing the bid, said: "We know all about the US regulatory requirements, and as far as I am concerned everything is OK."

Mr Michael McWilliam, Standard's chief executive, said last night that his US lawyers had advised him that Lloyds had not made any application to the Fed by yesterday. But Mr Horne said he had been told the application had been lodged with the Fed in California last week.

Mr John Thornton, a director of Goldman Sachs, the US investment bank which is advising Standard Chartered, said that Lloyds could have saved itself time by making an informal approach to the US authorities early on. But it did not appear to have done this.

Mr McWilliam said: "They say they have been looking at us for year. But this makes us ask whether this is a serious offer. It is an avoidable difficulty, and is all part of the haste with which they mounted this offer," he said.

If Lloyds has left itself insufficient time, as Standard claims, it could either ask the Fed to speed up the approval process, or go to the Takeover Panel and ask for an extension of the deadline.

It would then be a question whether these bodies should show partiality to Lloyds by granting the request.

If Lloyds did run out of time, it would be unable legally to complete the transfer.

BOC held back by stock losses and US economy

BY TONY JACKSON

BOC Group's interim figures to March 1986 were held back by slackness in the US economy, stock losses from the falling oil price and the weak dollar.

Pre-tax profits, at £80.2m, were 2 per cent ahead of last year's £78.7m. The market, which has expected a flat performance, marked the shares down 2p to close at 333p.

By far the worst performer was the struggling carbon graphite operation in the US. BOC explained that a failed attempt to raise prices in the first quarter had led to a temporary loss of almost half the division's US business.

The reversal of the policy had improved matters in the second quarter, but the division lost £5.3m in the first half compared with £3.5m in the first half of 1985.

In addition, the collapse in the oil price had led to stock losses of £7.2m, predominantly in the carbon division. The raw materials for graphite electrodes are chiefly oil-derived.

Mr Richard Giordano, BOC chairman, said: "We think the carbon business will be trading profitably by the end of this year, but the instability of the market is such that it will continue to be a difficult business.

"We'd like to do something about it by the end of the year, and that includes the option of selling it."

The best performer had been the UK industrial gases business. Mr Giordano said "in the last 12-18 months, the UK has shown our highest volume increases in industrial gases anywhere in the world. We are so tight on capacity that we are running inefficiently."

Growth had been particularly strong in nitrogen, for industries as widely spread as fast food, electronics and chemical processing.

The group's investment programme, designed to increase UK gases capacity by 30 per cent in the next year, would cost well over £100m.

ANALYSIS OF OPERATING PROFITS BY DIVISION

	Six months March '86 (£m)	Six months March '85 (£m)
Gases	79.6	77.4
Health care	38.5	38.3
Carbon	5.3	3.5*
Special prods.	9.2	11.2
REGIONAL ANALYSES		
Europe	34.1	32.5
Africa	9.2	9.9
Americas	48.4	53.4
Asia/Pacific	24.2	21.4

* Loss

Sales and profits in the US had been flat. Mr Giordano said: "We think the peak of US industrial activity was in the spring of last year. Just now, there are both positive and negative forces on the US consumer, and there is a question mark over which way things will turn."

The health care business—mostly based in the US—had flat profits, up only £0.2m to £38.5m in the half year. The chairman said the changes in the US reimbursement system for healthcare had cut prices back by 5 per cent.

However, he said he was quite confident that the number of smaller acquisitions made in recent years would enable the division to absorb this loss of revenue and continue its growth record.

The interim figures were helped by around $6m (£4m) of profits from currency hedging. The group has bought $60m forward at a rate of $1.09 (against a conversion figure for these results of $1.47), and expects an overall profit for the year of between $14m and $15m on the transaction.

The additional depreciation charge applied by BOC in its system of modified historic cost accounting was down by £8.3m to £12.3m.

The group said this resulted partly from currency, partly from continuing lower inflation. The effect was to flatter the figures compared with conventional methods of accounting, but not by as much as £8m, the group said.

On an unchanged currency basis pre-tax profits were 8 per cent higher. Earnings per share on the reported basis were 7 per cent lower at 9.85p, and the interim dividend was raised by 13.5 per cent to 4.37p.

Better results were expected in the second half. Mr Giordano said. "In line with our forecast of last December, we believe we will again achieve record profits for the year as a whole."

See Lex

Manchester Ship rejects £32m bid from Higham's

BY ALICE RAWSTHORN

THE privately owned property company, Higham's, has launched its long awaited takeover bid for the Manchester Ship Canal, but the MSC board has rejected the approach as "opportunistic and unwelcome."

Higham's, which has been building up a holding in MSC for several months, announced yesterday that it held 31 per cent of the voting shares.

It has offered 625p for each remaining ordinary share and 300½p for each preference share. MSC's ordinary shares, which have risen steadily since Higham's began buying, remained unchanged at 670p yesterday.

The bid in effect values MSC at £31.94m, although Higham's already controls 1.22m or 30.55 per cent of the ordinary and 2.82m or 70.6 per cent of the preference shares. The value of the bid is only marginally higher than that of MSC's property portfolio which was valued last year at £30.8m.

The MSC board has rejected the bid recommending that shareholders "take no action in respect of this opportunistic and unwelcome offer."

In February, MSC successfully repulsed an attempt by Higham's, which then held 29 per cent of the voting shares, to place its chairman, Mr John Whittaker, and managing director, Mr Martin Hill, on the board. Higham's proposal was defeated by a shareholders' vote at MSC's annual meeting.

In the year to December 31 1985 MSC incurred losses of £1.94m.

DOBSON PARK'S subsidiary, Bulldog Tools, is being sold together with the freehold and long leasehold property it occupies, to Locktrail, a company formed by senior managers of Bulldog and their associates. If agreed by Dobson shareholders, this will be the second divestment by Dobson Park in its current financial year.

Brierley lifts his stake in Horizon to over 9%

BY TERRY POVEY

MR RON BRIERLEY'S IEP Securities has increased its holding in tour operator Horizon Travel to 9.13 per cent from 7.14 per cent.

Horizon is locked in a price war for market share with Thomson and International Leisure Group (Intasun).

Mr Harry Goodman's ILG is in the midst of extended talks with British Caledonian over possible co-operation between the two companies.

At the end of March, Horizon reported a slump in trading profits for the year to November 30. While pre-tax profits were ahead almost £2m to £14.5m, some £13.6m came from the sale of two aircraft.

Last month Bass, the brewing company, more than doubled its stake in Horizon to 25 per cent. In exchange, Bass injected into a joint venture its Holiday Club International clubs in Spain, Italy, Greece and Morocco plus some £8.5m in cash.

Analysts believe that IEP's interest in Horizon is primarily as a recovery stock rather than as a bid prospect—most of Mr Brierley's purchases were made soon after the shares began to move up from the 80p bottom hit in late 1985. Last night Horizon closed at 117p.

Windsor Securities

The Windsor Securities (Holdings) group of insurance and reinsurance brokers, formerly Brentnall Beard, continues to have large cash resources and is well structured to take on another material acquisition while improving its own turnover and profit.

This is stated in the interim report for the six months ended March 31, 1986, which shows turnover ahead from £347,000 to £1.18m and profit before tax up from £108,000 to £114,000.

Earnings are 0.73p (0.79p) and the interim dividend 0.2p net (0.55p).

Bid approach for D. F. Bevan

D. F. BEVAN, the Midlands-based metal merchant and steel stockholder, yesterday said it had received an approach which is expected to lead to an agreed bid for the company.

Its shares were suspended at 38p, valuing the business at £3m. For the six months to last September, Bevan made pre-tax profits of £135,000 on £10.4m turnover. This was only a marginal increase on the same period in 1984, mainly due to first half interest charges up from £161,000 to £230,000. Bevan's steel stockholding interests were constrained by worry about potential bad debts.

Beazer buys

C. H. Beazer, the acquisitive house builder, has bought 150,000 shares (0.6 per cent) of Benford Concrete at 79½p per share. Beazer is acting in concert with its 64 per cent owned associate, BM Group, which launched a £19m bid for Benford 10 days ago. Benford closed unchanged at 80p.

Wardle extends bid

Wardle Storeys, the plastics group bidding £25m for RFD Group the industrial company, has received acceptances representing 1.91 per cent, RFD described the response as derisory while Wardle is extending its offer and cash alternative to May 23.

COMPANY NEWS IN BRIEF

WOLTERS SAMSON GROUP has announced that a wholly-owned subsidiary has bought 2.18m ordinary in Park Place (about 14.8 per cent) at 333p per share. In addition, irrevocable undertakings, amounting to 1.13m Park Place ordinary (about 7.6 per cent) have been received.

MARLING INDUSTRIES has bought Lilleys Narrow Fabrics, a wholly-owned subsidiary of Thomas French and Sons, which is based in Derby. Marling has bought the fixed assets, stock, goodwill and the company name for a consideration of around £610,000 to be finally determined by the valuation of stock as at May 2. The business of Lilleys will be moved to Marling's subsidiary, Rykneld Mills, in Derby.

MANAGEMENT at Dunlop's DIY products division has bought out for £1.5m the Wolverhampton-based vinyl and carpet floorcoverings business from parent BTR Group, which took over Dunlop in early 1985. The Dunlop name will not be retained, and the new company, trading as Baseguide, will continue to market DIY flooring products under the Floormaker banner established by Dunlop.

UNIGATE has accepted an offer by Mejeriselskabet Danmark (Co-Op Denmark) to acquire Boel Foods, a wholly-owned Danish subsidiary of Unigate. Consideration is not disclosed but represents a satisfactory extraordinary profit on net asset value.

LAIRD GROUP has acquired R. H. Technical Industries, a private company based at Winchester, for £5m in cash. In the year to November 1985 RHTI had sales of £4.8m. RHTI's products are custom designed to meet specific customer requirements and span a wide range of applications including product identification nameplates, graphic display and control panels and sophisticated membrane switch assemblies.

TERMINAL DISPLAY Systems, has concluded negotiations with Pilkington for the purchase of its control and display systems subsidiary, Leenshire. This is expected to cost in the region of £250,000 and will involve relocating Leenshire's production machinery.

RATNERS (JEWELLERS)—Kleinwort Grieveson and Co has sold 1,279m rights to subscribe for new ordinary shares in the company on behalf of certain directors, at a price of 44p per nil paid rights. The rights which were sold included 1,237,147 in relation to the shareholdings of directors of Ratners.

BRITISH TELECOM has completed the purchase of ITT Dialcom, formerly a subsidiary of ITT Corporation. This marks a further step in BT's entry into the US market.

DIVIDENDS ANNOUNCED

BOC Group ......int.	4.37	Oct. 2	3.85	—	9.38
Delyn Packaging	2	—	1.5	3	2.5
Dencora	2‡	—	nil	2	nil
Govett Atlantic ...int.	1.1	June 27	1.1	—	2.8
Govett Enterprise int.	1.15	June 27	1.15	—	3.15
Jefferson Smurfit	2.16¶	—	2.16*	3.28	3.28*
Outwich Inv. Tst.	2.3	—	2	3.4	3
TR Technology	1.3	July 1	1.22	1.8	1.72
Tysons (Contractors)	nil	—	2.5	nil	2.5

Dividends shown in pence per share except where otherwise stated. * Equivalent after allowing for scrip issue. † On capital increased by rights and/or acquisition issues. ‡ USM stock. § Unquoted stock. ¶ Irish currency throughout.

UK COMPANY NEWS

Britannia Arrow rights to fund £40m MIM purchase

BY DAVID LASCELLES

Britannia Arrow Holdings, the unit trust and pension fund group, is to pay £40m cash to acquire MIM, the investment management company. It is making a £39.4m rights issue to finance the deal.

MIM's present owner is Aetna Life and Casualty, the US insurance group, which bought it last year from the Midland Bank for £45m. The new combination will produce one of the UK's larger fund management companies.

The rights issue will be on a one-for-five basis at 110p per share. Britannia's shares closed last night at 120p, down 8p.

Mr Robert Maxwell, the publisher of Mirror Group newspapers, and his Pergamon Holdings, which together hold 16.7 per cent of Britannia, have agreed to subscribe for their entitlement. The remainder will be underwritten by Lazard Brothers. The brokers are Rowe & Pitman.

Britannia expects to be able at least to maintain last year's dividend of 4.2p net.

With MIM's £3.3bn of funds under management, the new group will control more than £8bn, with approximately half of that managed overseas.

Aetna appears to be selling MIM for less than it paid for it last July. However it was being stressed yesterday that Aetna will retain MIM's Hong Kong office and some other business. The price Aetna paid was part of a complex reshuffling of assets between itself and the Midland Bank.

Nevertheless, Britannia executives believe they have obtained MIM for a good price.

Britannia intends to maintain close links with Aetna after the deal. MIM will continue to manage some of Aetna's international portfolios, and Britannia has agreed to pay Aetna credits of up to £1.5m in fees for new business.

Mr David Stevens, MIM's chairman, will become chairman of the combined UK investment management subsidiary. All MIM's UK executive directors have also to stay after the acquisition.

The merger was largely triggered by last year's abortive bid for Britannia by Guinness Peat, during which MIM acquired a substantial stake in Britannia.

See Lex

Coloroll bid for Staffs. Potteries lapses

By David Goodhart

THE ACRIMONIOUS £14m bid by home furnishings group **Coloroll for Staffordshire Potteries** has lapsed. Coloroll announced yesterday that it had only marginally increased its 32.8 per cent of ordinary share acceptances received on Friday.

Mr John Ashcroft, chairman of Coloroll, said the company would now be reviewing all its options and added: "We plan to stay in there, there is no denying the commercial logic."

He also said that he remained hopeful of coming to some understanding with the Staffordshire board. A provisional agreed deal was briefly discussed before the hostile bid was launched.

Coloroll received acceptances for 19.32 per cent of the ordinary shares and owns, itself or through its merchant bank S. G. Warburg, a further 14 per cent. It also received acceptances from holders of 64.4 per cent of the preference shares, and has extended the separate preference offer until Friday.

There is dispute between the companies over the time at which Coloroll could convert those preference shares and make a new bid but unless a Staffordshire white knight makes a very attractive offer to Coloroll, it is likely to hold on to its stake.

Metals Ex. bids for Hampton Areas

BY KENNETH MARSTON, MINING EDITOR

A CASH bid of 130p per share *for* **Hampton Gold Mining Areas** is planned by Australia's **Metals Exploration Pacific**, a wholly-owned subsidiary of **Metals Exploration** which, in turn, is effectively controlled by Mr Alan Bond. It values Hampton Areas at about £35.5m and is conditional upon a 90 per cent acceptance.

Mr George Livingstone-Learmonth, managing director of Hampton Areas, commented in London yesterday that the bid "would seem to be a sighting shot," adding "the shares were 132p *bid before the news this* morning."

Meanwhile the company is consulting its advisers. Samuel Montagu, and "strongly" advises shareholders to take no action.

The Metals Exploration group, which holds 1.35m shares in London quoted Hampton Areas and has agreed to purchase a further 2m shares to make a total of 12.3 per cent, claims that it will be able to improve the performance of the London company's mining interests.

Hampton Area's UK interests include licensed coal mining operations, the manufacture of mining equipment, and North Sea oil activities. In the US the company has a currently suspended gold venture in Colorado, plus anthracite operations and interests in oil and gas production in Oklahoma.

Australian assets of Hampton Areas *include royalties on* part of Western Mining's nickel production. Gold activities include the promising New Celebration and Jubilee projects. A 20 per cent holding in the Paringa gold mining joint venture was recently sold to North Kalgurli Mines in which Metals Exploration has a stake of 31.4 per cent.

BOARD MEETINGS

TODAY

Interims: Concentric, GBC Capital, Holmes and Marchant.

Finals: Anglo American Coal, Chesterfield Properties, Dataserv Inc, William Morris Fine Arts, North Sea and General Oil Investments, Parkland Textile, Walter Runciman, Sears, Stylo, Warnford Investments.

FUTURE DATES

Interims—	
Bankers Investment Trust	*June 26*
Guinness Peat	May 20
Radio City (Sound of Merseyside)	May 27
Ranks Hovis McDougall	May 20
Spectrum	May 23
United Scientific	May 19
Western Selection	*May 15*
Williams (John)	May 19
Finals—	
Allied Irish Banks	May 21
Assoc. British Foods	*May 19*
Avana	†June 23
Boosey and Hawkes	May 16
Bremner	May 14
British and American Film	*May 20*
Castings	May 22
Clayform Properties	May 15
GT Global Recovery Inv. Tst.	June 6

Booker bids for Whitworth's

BY RICHARD TOMKINS

Whitworth's Food, a USM-quoted fruit and vegetable distributor, which had its shares suspended 2 days ago *pending* an announcement, yesterday emerged as the subject of an agreed bid by **Booker McConnell**, the fully listed agribusiness, health products and food distribution conglomerate.

At the same time Whitworth's revealed that it had slumped into loss in the half year to March with a deficit before tax and extraordinary items of £575,000 compared with profits of £231,000.

The company said the main reason for the downturn had been the shortage of good quality potatoes caused by last year's bad weather.

It had also led the directors to conclude that the shareholders' interests would best be served by the company's amalgamation with a larger and more diversified group.

Booker is offering 45p cash *for every Whitworth's share*, valuing the company at about £4.9m. The price compares *with 63p at which Whitworth's* was suspended and the 95p at which it was floated in January last year.

There is an alternative offer of one Booker share for every seven of Whitworth's. Booker closed 4½p down at 313p yesterday and Whitworth's re-entered the list at 45p.

Booker's food distribution activities are mainly in the wholesale sector. It is the leading supplier to UK caterers and its food distribution division had turnover of £924m and pre-tax profits of £13.2m *in the* year to last December.

Whitworth's business is *mainly* in supplying quality produce to supermarkets, wholesalers and food processors in the UK.

Booker says Whitworth's should complement its agribusiness and food distribution businesses but will continue to be managed under its existing trading name and identity.

Delyn seeks growth in plastic packaging

Delyn Packaging has produced profits well in excess of expec*tations for the year ended* February 2 1986, and is lifting its dividend from 2.5p to 3p net, with a final of 2p.

Significant improvements in the second half have pushed up the profit from £121,000 to £301,000, when the directors' sights were on a similar performance. There is an exceptional charge of £50,000 this time, which reduces the pre-tax balance to £251,000.

Mr Ifor Jones, who became chairman a month ago, says the manufacture of plastic packaging *has* become the *dominant* part of the company's activity, and in the past year has increased significantly in turnover and profitability. The trend is continuing.

The directors intend to develop the range and size of its involvement in plastics packaging generally, he says.

In the year turnover rose from £5.09m to £6.67m. After tax £25,000 (£21,000) earnings are shown at 11.39p (5.03p) per share.

Paper products failed to con*tribite to profitability*. There has been a complete reorganisation and the directors are considering *various alternatives to* ensure that profit performance throughout the company is consistent with their policy.

On the plastic side, Mr Jones says additional investment is in hand and new equipment has been ordered which will be capable of handling most of the new generation of plastic materials being developed for the food packaging industry.

The machines, however, will not be delivered until late in the current year.

Mr Jones says the facilities available for production of food packaging in an expanding market gives good reason for optimism.

UK COMPANY NEWS

US packaging prices hit Jefferson Smurfit profits

PROBLEMS WITH sales of packaging in both the US and UK hit profits of **Jefferson Smurfit Group** in the second half of the year to the end of January 1986.

Despite a good start to the year with higher interim pre-tax profits, profits for the second half were almost halved leaving the full-year figure down by 28 per cent at £36.71m (£33.37) against £51.05m.

The directors of this Dublin-based company, which is involved in printing and packaging and making corrugated cases, paper and board say that deteriorating prices for liner-board hit UK profits and in the US the overpriced dollar led to weak pricing for linerboard and a cut in exports.

However, the year was the second most successful for the company following its record results for 1984-85. The shares fell by 5p to close at 175p.

Turnover rose by 3.5 per cent from £883.71m to £914.68m. Earnings per share came out at 10.1p against an adjusted 14.4p and the final payment is in effect unchanged from last year's adjusted 2.16p, making a maintained total dividend of 3.2848p.

Directors say that the present year started well with profits ahead of last time and expectations remain positive. Demand and prices in the critical US market are firm and although the UK remains difficult an improvement on last year's result is expected.

In Ireland, which now contributes about 25 per cent of the group's profits, there was a slow start but improvements are now being seen, the directors say.

The acquisition of an 80 per cent interest in Publishers Paper, US newsprint manufacturer, by the company's 78 per cent-owned US offshoot, Jefferson Smurfit Corporation, has been completed and is expected to make a significant contribution in the present year.

Trading profit came out at £46.74m (£58.07m) with net interest charges of £9.92m (£11.21m) and a net loss from associates and non-consolidated subsidiaries of £114,000 (£4.19m profit).

The tax charge was £8.97m (£12.87m) and minorities took £6.63m (£8.85m). There were extraordinary credits of £350,000 (£5.21m debits) leaving attributable profits at £21.46m, against £24.11m for the previous year.

Capital spending during the period under review was maintained at £30m. The directors say that there was a healthy cash surplus leaving borrowings at the end of the year of £76m, the gearing having fallen from 43 per cent to 30 per cent.

A geographical breakdown of turnover and trading profits shows that the US is the biggest market with profits of £32.25m (£50.72m) from turnover of £665.58m (£667.44m), followed by Ireland at £11.94m (£9.42m) on £149.35m (£122.11m); UK at £1.89m (£2.5m) on £83.42m (£85.4m) and Australia £549,000 (£383,000 loss) on £8.87m (£5.98m).

● comment

Jefferson Smurfit Group is a hard outfit to get a handle on, especially when profits drop so sharply. Dublin-based but with 80 per cent of sales through the four-fifths owned (and Wall Street listed) Jefferson Smurfit Corporation in the US, the group is listed at home, where it is Ireland's largest public company, and in the UK. The recently completed purchase of 80 per cent of the US's third ranking news print company, Publishers Paper, has further increased the American component in the group. Efforts are now directed towards finding outlets for expansion in the UK —having failed last year to win Marden, the BAT unit which went to its own management in a £173m buy-out, as the price was seen as too fancy. More senior management attention to existing UK operations is also on the cards. The shares enjoy strong Irish institutional support, bolstered by exchange controls, but UK interest has fallen off. However, packaging material prices in the US are now improving and Smurfit has the appeal of being a dollar stock without a premium. On forecasts of £50m, the shares at 178p could do better than a prospective multiple of 11 — but the hassle of investing across the Irish Sea has also to be weighed.

Associated Energy trims its losses at interim stage

LOSSES HAVE been reduced at **Associated Energy Services** in the half year ended March 31 1986, and the group is now operating profitably.

In the opening six months the group, which is involved in building and environmental maintenance services and catering equipment distribution, incurred a loss of £71,270.

That compares with a profit of £202,760, which was turned into a loss of £438,643 by the end of 1985 mainly because of inadequate margins on some longer term contracts, an expensive cost structure to maintain contracts, and inadequate cost control

Mr Maurice Fullerton, the company dector who took over as chairman in January, says the loss-making contracts have now been eliminated.

"We have introduced many improvements in the estimating and control of contracts and the cost controls we now have are quite elaborate for a company of this size.

"Because of all the changes that have been made, the company is now operating profitably and well within the overhead limits agreed with its bankers," he tells shareholders.

The half year's figures exclude the former subsidiary, AES Taylor Freezer. Overall turnover came in £1.38m (£2.93m) with the remainder of the group producing a flat return.

● comment

Associated Energy Services is basically a management story. There is nothing wrong with the business itself but the management which brought it to the market at 88p a share in 1984 was not able to live up to the demands of a public quote. The company doctor's remedies are having a swift effect and second half profits should be enough to see the group back into the black for the full year. Beyond that, Mr Fullerton will be looking for acquisitions to spur Associated Energy's growth — not just in related areas but also through the addition of a financial services arm. At 32p the shares are still a speculation on the recovery prospects and carry concomitant risks. However, Mr Fullerton's four previous company turnrounds give grounds for confidence and there is further reassurance in the sight of a string of blue-blooded institutional shareholders staying aboard for the ride.

Tysons cuts losses but omits payout

A steadying in the second six months of 1985 and a marginal profit for the period left **Tysons (Contractors)** with losses of £415,677 pre-tax for the full year, compared with £1.53m previously.

However, in view of the results and 1984's deficit, the 1985 dividend is being omitted —2.5p net was paid the previous year at a cost of £125,000.

The directors say that in their opinion it was prudent to retain funds in order to consolidate the recovery that commenced in the latter half of 1985 by deferring any dividend payment for 12 months.

The better second half was brought about by Tysons' recovery strategy and indications point to an improvement in 1986.

The group, a construction engineer based in Liverpool, saw its 1985 turnover push ahead from £24.94m to £29.75m.

After a tax credit of £23,070 (charge £47,915) loss per 10p share emerged at 7.85p, down from the previous year's 31.52p.

Maclellan advances

With its agricultural supply, computer and property divisions all achieving record profits and turnover, **P. & W. Maclellan** increased its pre-tax profits from £531,000 to £631,000 in 1985. The final dividend is increased from 1.1p to 1.2p for an increased total of 1.9p against 1.7p.

Group turnover rose from £9.08m to £10.63m. There was a tax charge up from £101,000 to £136,000, and minorities doubled from £7,000 to £14,000.

An otherwise excellent result was marred by the industrial supplies division where management accounts were extremely misleading, and immediate corrective action has been taken.

Contract work profits behind Dencora setback

Dencora, the USM quoted property investment and development and builders' merchant group, has suffered a small reduction in profit for 1985, from £1.2-m to £1.05m. Dividends are initiated, however, with a payment of 2p.

This was the minimum payment promised. When forecasting this a year ago it was pointed out that Mr C. R. Holmes and Mr R. C. Youngs, joint managing directors, intended to waive entitlement on their substantial holdings so the pament would not have a large impact on group reserves.

Turnover in the year advanced from £8.83m to £13.16m. The letting market has improved satisfactorily. housing development and sheltered housing continue to be profitable, and builders' merchants showed a steady improvement.

However, contract work has produced disappointing profits and in the future tendering will be made on a more selective basis.

In the current year new development schemes totalling 69 units for investment and sale are progressing satisfactorily.

If interest rates continue their downward trend the directors are optimistic, particularly in regard to the development programme.

Over the next few years the group is to change its predominantly industrial investment portfolio to a more balanced one with retail and office investments being added.

Dencora Construction has been set up to concentrate on housing and commercial developments in the Cambridge and Stansted areas.

Tomkins extends offer for Pegler

F. H. Tomkins has said that holders of 1.81 per cent of the ordinary shares of **Pegler-Hattersley** had accepted its offer for the company by the first closing date. However Tomkins added later that of the 556,185 shares for which acceptances had been received, 225,000 were owned by its merchant bank, County Bank, leaving the independent acceptance figure at 1.08 per cent.

The offer, which has been extended to the second closing date on Friday May 23, has been accepted by the holders of 20.31 per cent of Pegler preference shares.

UK COMPANY NEWS

Dean & Bowes valued at £3m

By Richard Tomkins

Dean & Bowes, the Cambridgeshire-based pub and club refurbisher being floated on the Unlisted Securities Market, yesterday published the prospectus for a placing of 1.48m shares at 50p a share through brokers Earnshaw, Haes.

The company's pre-tax profits have grown from £7,000 to £401,000 over the four years to last December amid strong growth in the leisure industry's spending on refurbishment. Its main customers are Berni Host, Mecca Leisure and Charringtons.

Dean and Bowes' market capitalisation at the placing price will be £3.1m. The historic p/e ratio is 12.2 and the national dividend yield emerges as one of the highest on the USM at 7 per cent.

Of the £740,000 to be raised through the placing, some £490,000 will go to existing shareholders and £140,000 net of expenses will go to Dean & Bowes, which already has a cash surplus.

The main reasons for the flotation are to raise the company's profile and provide the means for acquisitions, but it will also help fund the setting up of a group headquarters and showroom in London.

At present, the group's business is concentrated in London and the south-east, and it plans to expand further in the region.

ISSUE NEWS

J. Haggas returns to market in quest for acquisitions

BY ALICE RAWSTHORN

THE TEXTILE manufacturer, John Haggas, is returning to the stock market, seven years after its takeover by Dawson International, through an offer for sale which will capitalise the company at £28m.

John Haggas was originally part of the Haggas '39 group of textile companies which was floated in 1965 and was subsequently acquired, in an agreed takeover, by Dawson in 1979. The present company is the product of a management buy-out from Dawson in 1983 led by the current chairman and chief executive, Mr Brian Haggas.

Its principal activity is the spinning of wools and synthetic yarns, although it is also involved in fabric dyeing and finishing and in trouser manufacture.

In its last financial year, to June 30 1985, John Haggas produced pre-tax profits of £2.4m on turnover of £22.9m. In the present financial year it expects to produce profits of £3.15m.

All the money raised by the flotation will be retained by the shareholders. After the issue the Haggas family will hold 46 per cent of the company. Once John Haggas is established as a publicly quoted company, however, Mr Brian Haggas is eager to expand.

"In the three years since the buy-out we have concentrated our energies on building the business and reducing the debts," he said. "Now we are ready to move forward and that will involve acquisitions. It is difficult to be acquisitive as a private company, so a return to the stock market was our best course of action."

The offer for sale will release 8m ordinary shares at a placing price of 140p. Scrimgeour Vickers is the stockbroker to the issue.

● comment

The City loves a story and for a workaday Yorkshire textile company, John Haggas certainly has a tale to tell. Haggas '39 was one of the whizzier textile stocks of the 1960s whose chairman, Brian Haggas, had the foresight to sell out to Dawson International in the late 1970s just before the textile recession began to bite. Brian Haggas' status in the City was such that Dawson's share price plunged by 20 per cent when he bought his family company back in 1983. Since the buy-out John Haggas has shrugged off the pedestrian profit performance which dogged it under Dawson and has returned to growth again. As a private company it has already diversified into knitwear and hand knitting yarns and as a public company is determined to make the most of its paper by expanding into other areas within the textile industry. With projected profits of £3.15m, the placing price of 140p will produce a p/e of 14.5, which trades heavily on Brian Haggas's charisma.

Dalepak offer in demand

THE OFFER for sale of shares in Dalepak Foods, the supplier of grillsteaks, has been over-subscribed 40 times. Applications have been received for 189m shares for the 4.71m on offer.

Preferential applications from the company's employees have been accepted for 323,500 shares, and the remainder have been allocated through a weighted ballot on the following basis:

Applications for 200 to 4,500 shares—200 shares; for 5,000 to 35,000—400 shares; for 40,000 to 95,000—800 shares: for 100,000 to 195,000—2,000 shares; for 200,000 to 500,000—5,000 shares; over 500,000—10,000 shares.

Letters of acceptance will be posted to successful applicants on May 15, and dealings will begin the following day.

Pacificorp gets listing in London

Pacificorp, the diversified US utility company, is obtaining a listing for its shares in London, and dealings begin this morning.

The company provides electric power in six western states in the US, is involved in mining, in oil and gas exploration, telecommunications and financial services. It claims to be the most diversified utility in the US. Last year it had revenues of $2bn and net income of $248,000.

Mr Don Frisbee, chairman and chief executive, said yesterday that the company viewed London as an "important source of capital," and that the London listing was "in anticipation of global equity trading."

Pacificorp is already quoted on the New York Stock Exchange, and is being introduced to the London market by County Bank.

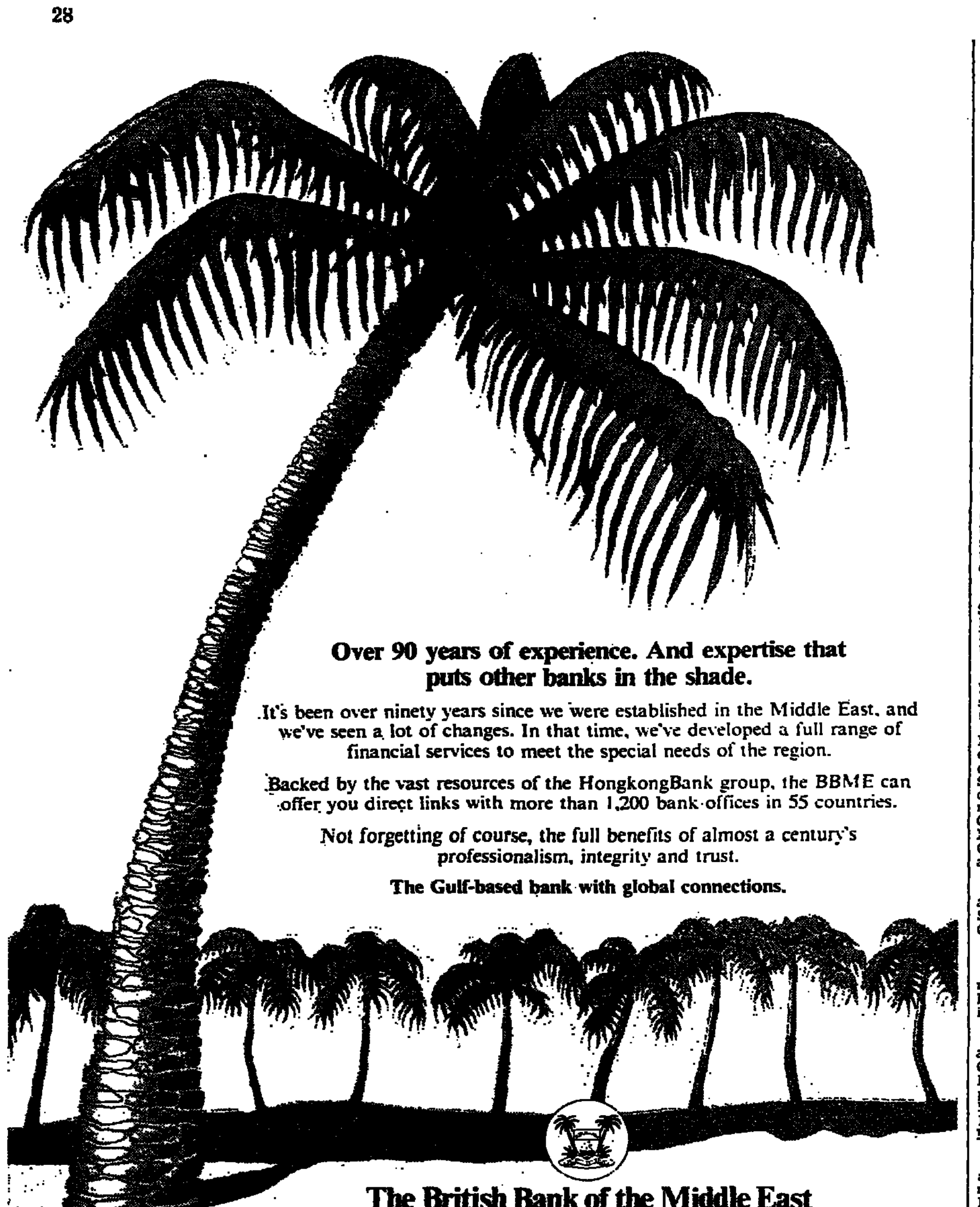
Monotype allocations

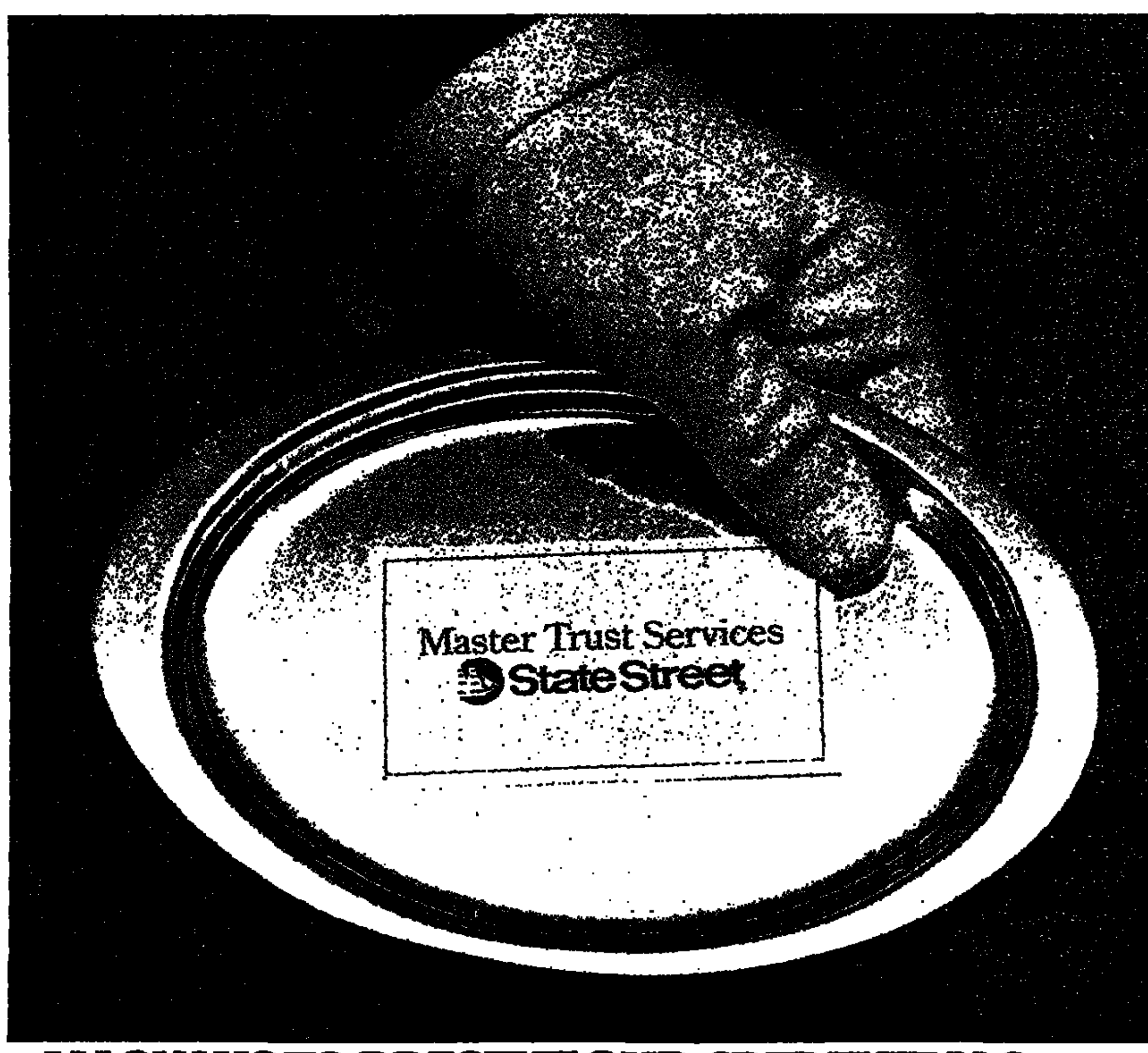
Monotype Corporation's offer for sale was subscribed twice. Applications were received for 15,353,550 shares. Applications for between 200 and 1,000 will be met in full.

Other allocations are: 1,500—66.6 per cent; 2,000 to 5,000—50 per cent, and above 5,000—to a maximum of 42.81 per cent.

SUNLEIGH ELECTRONICS has contracted to make two acquisitions for shares, giving them a value of £2.11m. In consideration of 2m shares (value £650,000) it is acquiring Blackburn Wound Products, a manufacturing electrical and electronic engineering company; 1,124,000 of the shares have been placed on behalf of the vendors. The second company is Cyfas Systems, which is being acquired from FKI Electricals for 4.5m shares (£1.46m). This gives FKI a 15 per cent holding in Sunleigh, and Mr Tony Cartland and Mr J. Whalley have joined the Sunleigh board in a non-executive capacity.

M.Y. DART—Timsa 69 has increased its holding to 2.4m shares (11.7 per cent).





APPOINTMENTS

ANZ Banking Group treasury changes

As a consequence of the reorganisation of the treasury operation of ANZ Bank and Grindlays Bank, the following senior appointments global treasury UK/Europe region have been made, based in London: Mr Michael J. Tong becomes regional general manager—treasury, UK/Europe; Mr David A. Foreman, chief divisional manager—regional treasury services responsible for Grindlays Bank treasury; Mr Derek F. S. Green, chief divisional manager—foreign currencies responsible for ANZ Bank major currency and Liffe dealing; Mr Kenneth P. Hendry, treasurer—asset and liability management; Mr Peter J. Horrocks, chief divisional manager—money markets; Mr John W. Jukes, chief divisional manager—financial services; Mr Jerry McCarthy, chief divisional manager—Australasian currencies; and Mr Ian K. Winter, controller—treasury systems and support. The two banks will continue to effect business in their own names.

★

SMITH AND WILLIAMSON SECURITIES has appointed Ms Isabel A. M. Drummond and Ms Michaelle E. A. Bate directors.

★

TOUCHE ROSS has admitted Mr John Reeve to the partnership of Touche Ross Associates, its management consultancy arm. Mr William B. Carmichael and Mr Colin M. Brown have been elected chairman and deputy chairman respectively of the Scottish unit of the Stock Exchange. Mr Carmichael is chairman of Aitken Campbell and Co, the Glasgow jobbers, and Mr Brown is a partner of the Glasgow broker Campbell Neill and Co.

★

Lord Kings Norton has been appointed chairman of LANDSAVER, part of the Midland City Partnership.

★

DUNLOP ADHESIVES' new managing director is to be Mr David Holdham, former marketing director of Unibond.

★

Mrs Jennifer d'Abo has been appointed to the board of CHANNEL 4 by the Independent Broadcasting Authority. Her appointment is for five years until March, 1991, succeeding Miss Detta O'Cathain of the Milk Marketing Board.

★

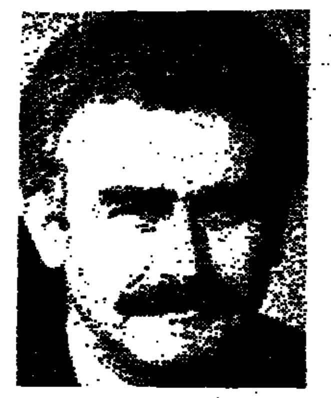
Mr Martin Gray has been appointed head of group planning for NATIONAL WESTMINSTER BANK. A development executive in the bank's corporate development group since 1985, he succeeds Mr Jim Chester who becomes West End (west) area director.

★

Mr Peter Gibbings, chairman of the Guardian and Manchester Evening News, has been appointed deputy chairman of ANGLIA TELEVISION. Mr David McCall takes over from Lord Buxton as chief executive of the group. Mr McCall continues as chief executive of television operations, and Lord Buxton remains chairman of the group.

★

Mr Derek Norton has been appointed group managing director and chief executive of JONAS WOODHEAD & SONS. He was chief executive of the Lonrho Engineering interests in the UK. He was chairman of Hadfields, Sheffield steelmakers, from 1977 until the company was sold to BSC and GKN in 1983.



Mr David Harrup, managing director, Pullen Pumps

Mr David R. Harrup has been appointed managing director of PULLEN PUMPS. He was deputy managing director.

★

CLARKSON PUCKLE GROUP, member of the Dalgety Group, has formed an international division to co-ordinate the specialist broking activities between the UK and overseas divisions. The board of this company will be: Mr A. G. C. Howland Jackson (chairman), Mr D. M. Berliand, Mr C. L. Burgess, Mr A. J. Duggan, Mr A. J. Ellison, Mr B. Etchells, Mr R. A. Neuhender, Mr D. C. Millwater and Mr B. M. Waters. There will be four operating companies within this division: Clarkson Puckle International Risks, Clarkson Puckle Professional Indemnity, Clarkson Puckle Construction Insurance Brokers, and Clarkson Puckle Credit & Political Risks. The existing Clarkson Puckle Risk Management company will also be brought within the international division.

Clarkson Puckle has also formed independent specialist non-marine reinsurance brokers, Rostron Hancock Reinsurance Brokers, in which the group has a majority shareholding. The board of this company will be: Mr D. M. Berliand (chairman), Mr C. G. Rostron (managing director), Mr P. R. S. Hancock and Mr P. K. King.

★

Mr Bryan Cowgill, deputy chairman of Mirror Group Newspapers, has been appointed chairman of SELECTV in place of Mr Robert Maxwell who became of commitments elsewhere, has resigned. Mr Michael Niblock has been appointed to succeed Mr Alan Morris as managing director of SelecTV. Mr Morris is leaving at the end of this month to take an appointment with an advertising agency. Mr Niblock's appointment is from June 1.

★

VENCEL RESIL has appointed Mr Robert F. MacDonald as manufacturing director and Mr Derek J. Wager as finance director. Mr MacDonald was group works manager and Mr Wager was financial controller.

★

The 72nd president of the ELECTRICAL CONTRACTORS' ASSOCIATION is Mr Roy Howard, managing director of Electrical Installations (North West).

★

Mr I. E. Hackett has been appointed group financial controller of M. L. HOLDINGS. Mr L. W. Dowsie, has been finance director and Mr ... Brown personnel director of ... Aviation Co. Mr ... becomes finance director of ... Engineering (Plymouth).

★

Mr Svend J. ..., vice president, ... BANK, Copenhagen, has been appointed general manager of the London branch. ... Until his new appointment ... Heineke was head of the ... client bank department in Copenhagen.

★

FS ASSURANCE has ... the following ... Ian M. Campbell ... general manager; ... Harrison and Mr ... Stewart to assistant general managers.

★

Mr M. T. ... WILLIAM HOLDINGS as ... ing director of the ... division, ... Castings ... Vale Castings. He was ... a divisional managing director with British ... Mr D. S. ... joined the group ... director, foundries division.

BASE LENDING RATES

	%		%
ABN Bank	10½	Financial & Gen. Sec.	10½
Allied Dunbar & Co.	10½	First Nat. Fin. Corp.	11½
Allied Irish Bank	10½	First Nat. Sec. Ltd.	11½
American Express Bk.	10½	● Robert Fleming & Co.	10½
Amro Bank	10½	Robert Fraser & Ptrs.	11½
Henry Ansbacher	10½	Grindlays Bank	10½
Associates Cap Corp.	11	● Guinness Mahon	10½
Banco de Bilbao	10½	● Hambros Bank	10½
Bank Hapoalim	10½	Heritable & Gen. Trust	10½
Bank Leumi (UK)	10½	● Hill Samuel	§10½
Bank Credit & Comm.	10½	C. Hoare & Co.	†10½
Bank of Cyprus	10½	Hongkong & Shanghai	10½
Bank of Ireland	10½	Johnson Matthey	10½
Bank of India	10½	Knowsley & Co. Ltd.	11
Bank of Scotland	10½	Lloyds Bank	10½
Banque Belge Ltd.	10½	Edward Manson & Co.	11½
Barclays Bank	10½	Meghraj & Sons Ltd.	10½
Beneficial Trust Ltd.	11½	Midland Bank	10½
Brit. Bk. of Mid. East	10½	● Morgan Grenfell	10½
● Brown Shipley	10½	Mount Credit Corp. Ltd.	10½
CL Bank Nederland	10½	National Bk. of Kuwait	10½
Canada Permanent	10½	National Girobank	10½
Cayzer Ltd.	10½	National Westminster	10½
Cedar Holdings	12	Northern Bank Ltd.	10½
● Charterhouse Japhet	10½	Norwich Gen. Trust	10½
Citibank NA	10½	PK Finans. Intl. (UK)	11
Citibank Savings	¶10.75	Provincial Trust Ltd.	11½
City Merchants Bank	10½	R. Raphael & Sons	10½
Clydesdale Bank	10½	Roxburghe Guarantee	11
C. E. Coates & Co. Ltd.	12	Royal Bank of Scotland	10½
Comm. Bk. N. East	10½	Royal Trust Co. Canada	10½
Consolidated Credits	10½	Standard Chartered	10½
Continental Trust Ltd.	10½	Trustee Savings Bank	10½
Co-operative Bank	*10½	United Bank of Kuwait	10½
The Cyprus Popular Bk.	10½	United Mizrahi Bank	10½
Duncan Lawrie	10½	Westpac Banking Corp.	10½
E. T. Trust	11½	Whiteaway Laidlaw	11
Exeter Trust Ltd.	11	Yorkshire Bank	10½

● Members of the Accepting Houses Committee. * 7-day deposits 6.38%. 1-month 6.69%. Top Tier—£25,000+ at 3 months' notice 9.72%. At call when £10,000+ remains deposited. † Call deposits £1,000 and over 6¼% gross. ¶ Mortgage base rate. § Demand deposit 6.35%. Mortgage 11%.

Legal Notices

No. 002309 of 1986
IN THE HIGH COURT OF JUSTICE
CHANCERY DIVISION
MR. REGISTRAR BRADBURN
IN THE MATTER OF
GOVETT ENTERPRISE INVESTMENT TRUST PLC
AND IN THE MATTER OF
THE COMPANIES ACT 1985

NOTICE IS HEREBY GIVEN that by an Order dated the 2nd May 1986 made in the above matters of the Court has directed separate Meetings of (i) the holders of the Ordinary Shares of the above-named Company (hereinafter called "the Company") not beneficially owned by Govett Atlantic Investment Trust PLC, and (ii) the holders (other than Govett Strategic Investment Trust PLC) of the Preference Shares of the Company not beneficially owned as aforesaid to be convened for the purpose of considering and if thought fit approving (with or without modification) a Scheme of Arrangement proposed to be made between the Company and the holders of its said respective classes of Shares (other than as aforesaid) and Govett Strategic Investment Trust PLC and that such Meetings will be held at Winchester House, 77 London Wall, London EC2N 1DH, on Wednesday the 4th day of June 1986 at the respective times below mentioned, namely:

(i) The Meeting of the holders of the Ordinary Shares of the Company not beneficially owned as aforesaid at 9.45 a.m.; and

(ii) the Meeting of the holders (other than as aforesaid) of the Preference Shares of the Company not beneficially owned as aforesaid at 9.50 a.m. (or as soon thereafter as the preceding Meeting shall have been concluded or adjourned)

at which place and respective times all the aforesaid Shareholders are requested to attend.

ANY person entitled to attend the said Meetings can obtain copies of the said Scheme of Arrangement, forms of Proxy and copies of the Statement required to be furnished pursuant to Section 426 of the above mentioned Act at the Registered Office of the Company situate at Winchester House, 77 London Wall, London EC2N 1DH, and at the offices of the undermentioned Solicitors at the address mentioned below during usual business hous on any day (other than a Saturday, Sunday or Public Holiday) prior to the day appointed for the said Meetings.

THE said Shareholders may vote in person at such of the said Meetings as they are entitled to attend or they may appoint another person whether a Member of the Company or not as their proxy to attend and vote in their stead.

IN the case of joint holders the vote of the senior who tenders a vote whether in person or by proxy will be accepted to the exclusion of the votes of the other joint holders and for this purpose seniority will be determined by the order in which the names stand in the Register of Members of the Company.

IT is requested that forms appointing proxies be lodged with Ravensbourne Registration Services Ltd., Bourne House, 34 Beckenham Road, Beckenham, Kent, BR3 4BR, not less than 48 hours before the time appointed for the said Meetings but if forms are not so lodged they may be handed to the Chairman at the Meeting at which they are to be used.

BY the said Order the Court has appointed James Gilbert Sydney Gemmell or failing him, Andrew Robert James Boyle to act as Chairman of each of the said Meetings and has directed the Chairman to report the results thereof to the Court.

THE said Scheme of Arrangement will be subject to the subsequent approval of the Court.

DATED the 13th day of May 1986.
LINKLATERS & PAINES (A.Rob.),
Barrington House,
59-67 Gresham Street,
London EC2V 7JA.
Solicitors for the Company.

IN THE MATTER OF
ACEGALLEY LIMITED
T/A Andrew Phillips
AND IN THE MATTER OF
THE COMPANIES ACT 1985

NOTICE IS HEREBY GIVEN that the creditors of the above-named Company, which is being voluntarily wound up, are required, on or before the 1st day of June, 1986, to send in their full Christian and surnames, their adresses and descriptions, full particulars of their debts or claims, and the names and addresses of their Solicitors (if any), to the undersigned David Swaden, FCA, of 46 Rodney Street, Liverpool L1 9AA, the Liquidator of the said Company, and, if so required by notice in writing from the said Liquidator, are, personally or by their Solicitors, to come in and prove their debts or claims at such time and place as shall be specified in such notice, or in default thereof they will be excluded from the benefit of any distribution made before such debts are proved.

Dated this 1st day of May, 1986.
D. SWADEN,
Liquidator.

PAN-HOLDING
SOCIETE ANONYME
Registered Office:
LUXEMBOURG

NOTICE OF
ANNUAL GENERAL MEETING

The Annual General Meeting of shareholders of Pan-Holding S.A. will be held at its registered office at 10 Boulevard Roosevelt, Luxembourg, at 3 p.m. on May 30th, 1986, for the purpose of considering and voting upon following matters:

1. Acceptance of the directors' and commissaire's reports and approval of the financial statements for the year ended December 31, 1985.
2. Appropriation of the profits, declaration of a dividend for 1985 and of its date of payment.
3. Discharge of the directors and of the commissaire with respect of the year 1985.
4. Statutory nominations.
5. Determination of the directors' compensation for the year 1985.
6. Determination of the commissaire's compensation for the year 1985.

The Bearer shares may be deposited with any banking or financial institution agreed by the company.

Depository certificates must be received by the company at Boite Postale No. 408, L 2014 Luxembourg, prior to May 25, 1986.

NO DEPOSITORY CERTIFICATE IS REQUIRED WITH RESPECT TO REGISTERED SHARES.

The Board of Directors

THE BURMAH OIL PUBLIC LIMITED COMPANY
7% 1972/1987
Flux 500,000,000

Holders of the above mentioned Bonds are hereby informed that the annual instalment of Flux 50.000.000 due 30th June, 1986 has been effected by drawing by lot in the presence of a notary.

The following bond numbers have been drawn:
2193-2247; 2308-2364; 2375-2180;
3574-3745; 3782-3839; 3867-3471;
3886-3902; 3905-3908; 3913-3927;
3943-4128; 4132-4138; 4143-4147;
4151-4169; 4175-4198; 4200-4203;
4207-4214; 4231-4312; 7791-8066.

Bonds so called will become due and payable on and after 30th June, 1986.

The principal amount of Bonds outstanding after the amortisation of 30th June, 1986 will be, Flux 50.000.000.

Finally, it is recalled that the following Bonds which have been drawn by lot in 1985 have not yet been presented for payment:
2805-2814.

BANQUE INTERNATIONALE
A LUXEMBOURG
Société Anonyme
Paying Agent

Luxembourg,
12th May, 1986.

NOTICE OF REDEMPTION

HYDRO-QUÉBEC

U.S.$100,000,000

11½% DEBENTURES, SERIES DX due JUNE 15th, 1992

NOTICE IS HEREBY GIVEN THAT Hydro Québec will redeem on June 15th, 1986 the US$72,750,000 debentures outstanding for the 11½% Series DX Debentures due June 15th, 1992 at a price of 101½% of the principal amount together with interest on such principal accrued and unpaid to the said date of redemption.

The redemption price on the said Debentures shall be payable on presentation and surrender thereof with all unmatured coupons at any one of the following Paying Agencies:

Bank of Montreal,
9 Queen Victoria Street, London EC4N 4XN, England.
Bank of Montreal, Main Office,
119 St James Street West, Montreal, Quebec,
H2Y 1L6, Canada.
Bank of Montreal Trust Company,
2 Wall Street, New York, N.Y. 10005, U.S.A.
S. G. Warburg & Co. Ltd.,
33 King William Street, London EC4R 9AS, England.
Kredietbank S.A. Luxembourgeoise,
Case Postale 1108, Luxembourg.
Kredietbank N.V.,
7 rue d'Arenberg, B-1040 Brussels, Belgium.
Westdeutsche Landesbank,
56 Friedrichstrasse, Postfach 1128, D-4000
Dusseldorf, West Germany.
Commerzbank A.G.,
32-36 Neue Mainzer Strasse, Postfach 25-34, D-6000
Frankfurt (Main) 1, West Germany.
Banque Nationale de Paris,
16 Boulevard des Italiens, 75009 Paris, France.
Credit Suisse Bank,
8 Paradeplatz, 8021 Zurich, Switzerland.

DEBENTURES SHOULD BE SURRENDERED with all coupons appertaining thereto maturing after the date fixed for redemption, failing which the face value of any missing unmatured coupon will be deducted from the sum due for payment.

Any amount so deducted will be paid against surrender of the missing coupon within a period of 10 years from June 15th, 1986. On or after the date fixed for redemption, interest on the Debentures will cease to accrue.

May 13th, 1986 HYDRO-QUÉBEC

FT LAW REPORTS

Coca-Cola bottle cannot be a trade mark

IN RE THE COCA-COLA COMPANY
House of Lords (Lord Keith of Kinkel, Lord Brandon of Oakbrook, Lord Templeman, Lord Griffiths and Lord Oliver of Aylmerton): May 8, 1986.

A SHAPE or article is not registrable as a trade mark and accordingly a distinctive bottle containing a well-known beverage is incapable of registration.

The House of Lords so held when dismissing an appeal by the Coca-Cola Company from a Court of Appeal decision that the Registrar of Trade Marks was right to reject its application to register a Coca-Cola bottle as a trade mark.

Section 68(1) of the Trade Marks Act 1938 provides: ". . . 'mark' includes a device, brand, heading, label, ticket, name, signature, word, letter, numeral, or any combination thereof; . . . 'trade mark' means . . . a mark used . . . in relation to goods for the purpose of indicating . . . a connection in the course of trade between the goods and some person having the right . . . to use the mark . . ."

★ ★ ★

LORD TEMPLEMAN said that since the early 1920s the company had sold in the UK a non-alcoholic beverage under the name Coca-Cola in bottles of a distinctive shape.

The company's application to register the bottle as a trade mark had been rejected by the hearing officer, Mr Justice Falconer and the Court of Appeal. It now appealed.

The Trade Marks Act 1938 conferred on the proprietor of a registered trade mark the exclusive right in perpetuity to the use of a "trade mark which is distinctive." By section 9(2) of the Act "distinctive" meant "adapted . . . . to distinguish goods with which the proprietor of the trade mark is or may be connected in the course of trade . . ."

The company's application was for registration of the Coca-Cola bottle with its distinctive shape as a trade mark in respect of non-alcoholic beverages.

It was not sufficient for the bottle to be distinctive. The company must succeed in the startling proposition that a bottle was a trade mark. If so, then any other container or article of distinctive shape was capable of being a trade mark.

That raised the spectre of a total and perpetual monopoly in containers and articles achieved by means of the 1938 Act.

The Act was not intended to confer a statutory monopoly on the manufacturer of a container or article on the ground that he had, in the eyes of the public, established a connection between himself and the shape of the container or article.

A rival manufacturer must be free to sell any container or article of similar shape provided it was labelled or packaged in a manner which avoided confusion as to the origin of the goods in the container or the origin of the article.

The Registrar of Trade Marks had always taken the view that the function of trade mark legislation was to protect the mark but not the article which was marked. That was correct.

The word "mark," in its normal meaning and in its statutory definition in section 68(1) of the Act, was apt only to describe something which distinguished goods rather than the goods themselves. A bottle was a container, not a mark.

The distinction between a mark and the thing which was marked was supported by authority. In *re James's Trade Mark (1886) LR 33 Ch D 392* the plaintiffs sold black lead in the form of a dome and other shapes. Their products were impressed with the representation of a dome and their labels carried a picture of a black dome. *They were allowed* to register the representation or picture of the dome as a trade mark. Similarly the Coca-Cola Company had been allowed to register a line drawing of the bottle as a trade mark.

But dealing with the article itself, in *re James*, Lord Justice Lindley said at page 395. "A mark must be something distinct from the thing marked. The thing cannot be a mark of itself . . ."

Counsel for the company relied on the House of Lords decision in *Smith, Kline and French v Sterling-Winthrop [1976] RPC 511* where the plaintiffs were allowed to register 10 distinctive colour combinations as trade marks for drugs sold in pellet form within capsules.

That case related only to the colour of the goods and had no application to the goods themselves or to a container for goods. A colour combination might tend to an undesirable monopoly in colours but did not create an undesirable monopoly in goods or containers. The case was of no assistance to the Coca-Cola Company.

The appeal would be dismissed.

Their Lordships agreed.

For Coca-Cola: T. A. Blanco White QC and Christopher Morcom (McKenna & Co).

For the Registrar of Trade Marks: Hugh Laddie QC (Treasury Solicitor).

By Rachel Davies
Barrister

THESE REPORTS, together with full texts of judgments, are published in monthly volumes. For subscription details contact Kluwer Law Publishing, Africa House, 68 Kingsway, London WC2B 6BD. Phone 01-831 0391.

M. J. GLEESON GROUP is to construct a 4.6 km by-pass on the *A21 London to Hastings trunk* road at Rembury, near Tunbridge Wells, for the Department of Transport, at a cost of £10.5m. Further civil engineering works include a maintenance contract on the M2 motorway valued at £452,000 and works for the Thames Water Authority at Walton water treatment works valued at £119,000.

A continuation of work for the Bredero Group at the "Maltings" project in St Albans has procured a contract valued at £2.15m for the construction of a multi-storey car park, and for the *Hill Samuel Group* a contract valued at £1.1m for an extension and refurbishment to its Wood Street office. For Legal and General Assurance a new headquarters complex will be built at *Kingswood* under a management contract. Work has commenced on the sub-structure valued at £1.1m.

In the north of England and Scotland, M. J. Gleeson (Northern) has been awarded hospital work for the North West Regional Health Authority at Manchester valued at £1.12m, housing projects for Trafford MBC and Borough of Stockport, including an area housing office at Sheffield valued at £750,000, a design/build contract for the South Yorkshire Police Authority and a management contract for the City of Sheffield including another design/build project for the PSA in Scotland worth £860,000.

★

Building contracts worth a total of £1.7m have been awarded to **WILLIAM WEAVER**, Bromsgrove. Largest is a £1.2m scheme to build 41 homes for Malvern Hills District Council at Ballhurst, Bromyard.

★

LESSER DESIGN & BUILD has been appointed by Heidelberg Graphic Equipment to build a £1m 15,000 sq ft showroom, warehouse and office complex in Leeds, with completion scheduled for February 1987.

★

Work is underway by **FAIRCLOUGH CIVIL ENGINEERING'S** piling division on *Phase I* enabling works at Sunlight Wharf in Upper Thames Street, London, for a multi-storey office development for LEP International. The 16-week project will clear obstacles from the site and install cast in-situ concrete piling in preparation for foundations and main structural works. It is worth over £900,000.

★

***MARIS* DESIGN AND CONTRACTS** has acquired four contracts totalling £1.5m in value. They are for Sperry Marine in Wokingham, Metallgesellschaft Corporation in Albemarle Street, *Addressograph Farrington* in Feltham and finally the fitting out of Penguin Books' new headquarters in a 77,000 sq ft building at 27 Wrights Lane, Kensington.

★

BUTTERLEY ENGINEERING has been awarded a contract worth over £900,000 to provide lock gates at Brunswick Dock, as part of Merseyside Development Corporation's scheme to restore and convert the dock into a marina for pleasure boats. Erection of the gates will begin in December for opening in the spring of 1987. Butterley will supply two pairs of sector gates, powered by hydraulic motors and operated from a control building with the aid of programmable logic controllers. The lock is eight metres wide and 30 metres long, and the gates are designed to hold a seven-metre head of water. Each gate weighs over 20 tonnes. An unbalanced bascule bridge carrying road and pedestrian traffic will span the channel next to the gates. A single control building will control the raising and lowering of the bridge and the opening and closing of the lock.

★

TRACTOR SHOVELS, part of London and Northern Group, has been awarded roadworks contracts in Fife and Lothian totalling around £9.5m. The Lochgelly link road (north) in Fife, is an improvement scheme associated with the East Fife regional road project. Tractor Shovels completed Phase 1 of the regional road in 1985 and is currently working on Phase 2. The contract includes mineral protection works.

In Lothian, Tractor Shovels has started work on the Burdiehouse section of Edinburgh City by-pass. This connects with the eastern end of the Colinton section and terminates at a grade-separated junction with the A701 Straiton Road, north of Straiton village. The work involves construction of some 3.1 km of dual 9.3 metres wide carriageway, some 0.5 km of 12 metres wide single carriageway with localised dualling at junctions. A total of six structures and one retaining wall are required, the majority being corrugated steel culverts. The major structures are of concrete construction, being one overbridge and one underbridge.

★

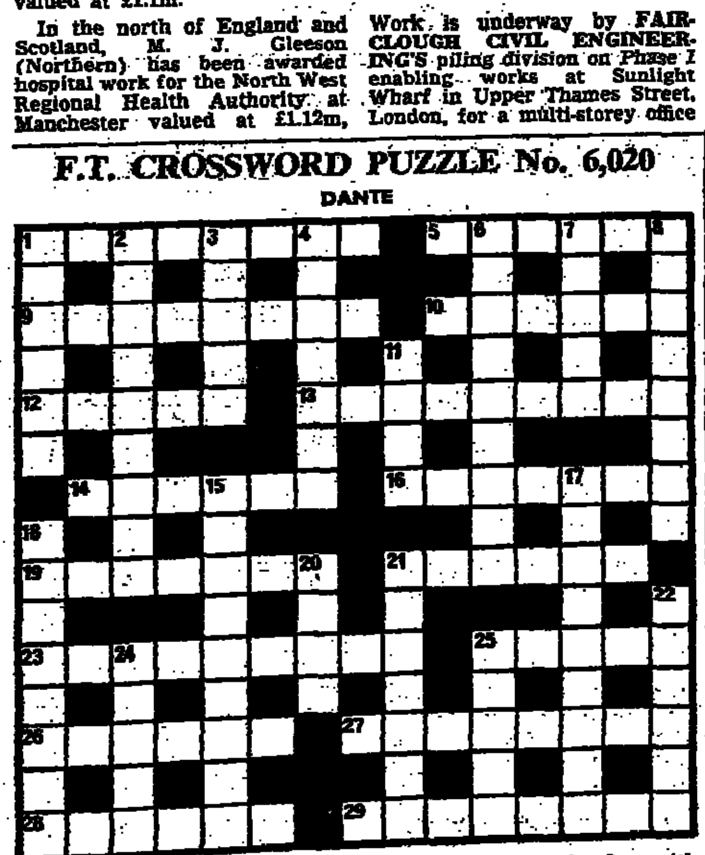
NORWEST HOLST SCOTLAND has won a road contract in Edinburgh to build a section of the city's western relief road. The contract, worth up to £6m, involves lengths of dual and undivided four-lane carriageways, coupled with construction of three bridges and 1,000 metres of retaining wall. Work has started for Lothian Regional Council, and is due for completion by early 1988.

★

Valued at £3.8m Hertfordshire County Council has awarded **BALFOUR BEATTY CONSTRUCTION** the M1 Junction 8 to marker post 42/5 contract. This covers overlaying to the southbound carriageway, concrete paving to the central reserve and reconstruction of drainage on both the north and southbound carriageways. Work commences this month for completion by mid-October.

F.T. CROSSWORD PUZZLE No. 6,020

DANTE



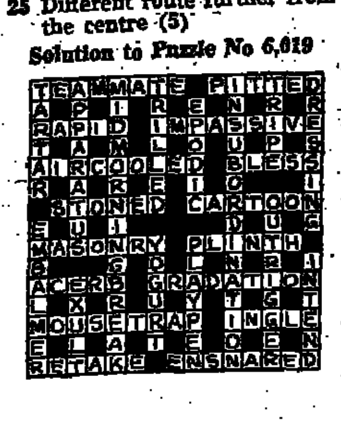
ACROSS

1 Insects with wings of short span (8)
5 Bound to reveal source (6)
9 Chips are heavenly like this! (8)
10 A speaker who is skilled at splitting alternatives (6)
12 Animal not usually laden (5)
13 Bound to go wrong? (3, 6)
14 Glues pieces of wood (6)
16 Become aware of the truth about a tissue of lies (7)
19 Retire from the contest—not up to it? (7)
21 Welsh town once ruined by our railway (6)
23 Ill-used vehicle (9)
25 Happen to come to mind (5)
26 In their own fields the French are unbeatable! (6)
27 Game to set kilts swirling? (8)
28 Full of zeal for a new trend (6)
29 Apprehends about a thousand supporters (3-5)

DOWN

1 Holiday break for Teresa (6)
2 Present following the future (9)
3 Was unhappy about a means of transport (5)
4 When an I.O.U. runs out it could well be (7)
6 Filter supplied by firm with some delay (9)
7 Put in last place (5)
8 New gardener brought in the crop (8)
11 A Service rise that makes one well off (4)
15 Stock-holder (6, 3)
17 In this form, two sides are perfectly matched (9)
18 Local ranch where Incas ate perhaps (8)
20 Suspend for a mild expletive (4)
21 Wave of destruction? (7)
22 Credit is twice provided in an emergency (8)
24 Get on a governing body (5)
25 Different route further from the centre (5)

Solution to Puzzle No 6,019



FT UNIT TRUST INFORMATION SERVICE

AUTHORISED UNIT TRUSTS

	Bid	Offer	+ or −	Yield
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

AUTHORISED UNIT TRUSTS & INSURANCES

Sentinel Funds Mngmnt Ltd
30 City Road, London EC1Y 2AY 01-628 6626

American Majors	67 3	72 0	-0 4	1 12
Amer Tech & Gen Fd	100 8	107 9	-0 8	0 55
European Growth	30 3	32 4		0 03
European Income	35 1	37 6		5 00
Exempt	538 7	576 4		2 03
Intnl Growth Fd	30 7	[illegible]		0 15
International Income	59 3	[illegible]	-0 3	4 90
Jap Tech & Genl	94 1	[illegible]		0 51
Pacific Fund	164 1	175 6	-1 1	0 01
Secure Income Fd	172 6	184 5	+0 4	4 54
Small Co's Fd	37 5	40 1		1 35
Special Sits	211 2	226 0	-0 2	2 18
UK General Fund	33 5	35 8	+0 0	2 32

Standard Life Trust Mgmt. Ltd
3 George St, Edinburgh EH2 2XZ 0800 393777

Managed Trust Acc	23 3	25 5		3 0
UK Equity Gth Tst Acc	23 3	25 5		2 5
UK Equity High Inc Inc	23 3	25 0		5 00
UK Equity Gen Tst Acc	23 3	24 9		3 01
UK Equity Gen Tst Inc	24 7	26 5		3 01
Gilt & Fxd Int Tst Inc	23 3	25 0		2 0
Nrth Amer Tst Acc	23 3	25 0		0 75
Far East Trust Acc	23 3	25 0		0 75
European Trust Acc	23 3	25 0		1 25

Stewart Ivory Unit Trust Mgrs Ltd (a)
45 Charlotte Sq, Edinburgh 031-226 3271

American Fund	216 4	230 5	-0 5	2 35
(Accum Units)	233 0	248 9	-0 3	2 35
(Withdrawal Units)	151 9	161 8	-0 2	2 35
Australian Fund	118 1	125 8	-1 5	1 75
(Accum Units)	121 6	129 6	-1 5	1 75
British Fund	582 9	620 8	-2 3	4 37
(Accum Units)	785 2	836 2	-3 1	4 37
European Fund	272 7	290 4	-1 8	0 89
(Accum Units)	287 1	305 8	-1 9	0 89
Japan Fund	284 0	302 5	-1 5	0 25
(Accum Units)	285 5	304 0	-1 5	0 25
Smth PPP	165 1	173 8		

Sun Alliance Fund Management Ltd
Sun Alliance House, Horsham 0403 56293

Equity Tst	383 1	407 5	+1 8	2 34
North American	56 1	59 8		1 08
Far East	72 0	76 5	-0 7	0 48

Sun Life Trust Mgmt. Ltd
107 Cheapside, London EC2V 6DU 01-606 6010

American Growth Acc	31 9	33 9	-0 2	1 4
American Income Acc	30 4	32 3	-0 1	5 5
American Income Inc	29 9	31 8	-0 1	5 5
European Growth Acc	49 3	52 4	-0 1	0 8
European Income Acc	23 8	25 3	-0 1	4 5
European Income Inc	23 8	25 3	-0 1	4 5
Far East Growth Acc	39 9	42 4	-0 1	0 6
Int. Growth Acc	33 9	36 1		2 0
Japan Growth Acc	51 4	54 6	+0 4	0 1
UK Growth Acc	36 4	38 8	+0 2	2 7
UK Income Acc	32 7	34 8	+0 1	5 3

Swiss Life Pen. Tst. Man. Co Ltd (a)(c)

TSB Unit Trusts (b) (c) (y)

3i Unit Trust Managers Ltd

Target Trust Mngrs. Ltd (a)(g)

Templeton Investment Management

Thornton Unit Management Ltd

Touche, Remnant Unit Trust Mngt Ltd

Trades Union Unit Trust Managers

Transatlantic and Gen. Secs. (c) (y)

Triton Fd Mngrs. Ltd.

Tyndall Managers Ltd(a)(b)(c)

UK Provident Unit Trust Managers Ltd

Unit Trust Account & Mgmt. Ltd

Vanguard Trust Managers Ltd

Wardley Unit Trust Managers Ltd (a)

Waverley Asset Management Ltd (a) (c) (g)

WestAvon Unit Trust Managers Ltd(a)(c)

Whittingdale Unit Trust Managers

Windsor Trust Mngrs Ltd

Wright Seligman Fund Managers Ltd

The Yorkshire General Trust

INSURANCES

AA Friendly Society

Abbey Life Assurance Co Ltd

Abbey Life—Continued
Pension Funds

Property	350 3	368 8	
Equity	755 5	795 3	-4 2
Selective	247 2	260 3	-0 5
Managed	612 1	644 6	-2 5
Security	327 7	345 0	
Fixed Int	295 2	316 3	-0 4
European	177 5	186 9	
American	217 0	228 5	-2 5
Japan	229 1	241 2	-0 5

Aetna Life Insurance Co Ltd
401 St John St, London EC1V 4QE 01-833 2303
Life Funds (Accumulator Units)

Squirrel	10 44	10 99
Bear	11 27	11 87
Owl	11 66	12 28
Bull	12 72	13 39
Stag	12 34	12 99
Gilt-Edged	11 17	
Deposit	9 62	

Pension Funds (Accumulator Units)

Squirrel	11 03	11 62
Bear	12 11	12 75
Owl	12 59	13 26
Bull	14 15	14 90
Stag	13 71	14 44
Gilt-Edged	12 2	
Deposit	9 69	

Exempt Approved

Mixed Managed	130 23	132.89

Albany Life Assurance Co Ltd
3 Darkes Lane, Potters Bar 0707 42311

Equity Fd Acc (2)	702 5	739 4	-4 0
European Fd Accum (2)	243 7	256 5	
Fixed Int. Acc (2)	305 0	321 5	-0 3
Gtd. Money Fd Ac (2)	196 3	206 6	
Int' Man Fd Acm (2)	293 7	309 1	+3 4
Intl Fxd Int Fd Acc (2)	176 0	185 2	+0 1
Japan Fund (2)	226 2	238 2	+4 3
Nth American Fd Acc (2)	163 7	172 3	+1 9
Prop Fd Acc (2)	198 6	209 0	
Multiple Inv Acc (2)	496 1	522 1	-0 1

Pension Funds

Eq Pen Fd Acc (2)	1262 3	1328 7	-10 2
Euro Fd Acc (2)	250 1	263 3	
Fixed Int Acc (2)	571 8	601 9	+0 7
Gt Money Pn Acc (2)	316 9	333 5	+0 1
Intl Man Fd (2)	411 3	433 0	+6 8
Jap Pen Fd Acc (2)	301 3	315 1	+8 1
N Am Pn Fd Acc (2)	189 3	199 3	+2 7
Property (2)	290 4	305 7	+0 1
Multiple Inv Pen Acc (2)	917 4	965 0	-0 2

Allied Dunbar Assurance Plc
Allied Dunbar Ctr, Swindon SN1 1EL 0793 28291

American Life Insurance Co UK

Ambassador Life Ass. Co Ltd

Baltic Assurance Funds

Barclays Life Assur. Co. Ltd

Black Horse Life Ass. Co. Ltd

British National Life Assurance Co Ltd

Canada Life Group

Cannon Assurance Ltd

Chase de Vere Investments Ltd

City of Edinburgh Life Assurance

City of Westminster Assurance

Clerical Medical/Fidelity International

Clerical Medical/Fidelity—Cont.

Clerical Medical Managed Funds Ltd

Colonial Mutual Group

Commercial Union Group

Continental Life Insurance PLC

Cornhill Insurance PLC

Credit & Commerce Life Ass. Ltd

Criterion Assurance Group

Crown Financial Management Ltd

Crusader Insurance Plc

Devonshire Life

Eagle Star Insurance Co Ltd

Eagle Star Insur./Midland Assur.

Equitable Life Assurance Society

Equity & Law

Family Assurance Society

Federation Mutual Insurance Ltd

First Financial Services PLC

Framlington Life Insurance Ltd

Friends' Provident Life Office

GT Management Ltd

General Accident Linked Life Assurance(z)

Assicurazioni GENERALI SpA

General Portfolio Life Ins. Plc

Gresham Unit Assurance Ltd

Growth & Sec. Life Ass. Soc. Ltd

Guardian Royal Exchange

Hearts of Oak Benefit Society

Henderson Administration (z)

Hill Samuel Life Assur. Ltd

Imperial Life Ass. Co of Canada

Imperial Life (UK) Ltd

Irish Life Assurance Co Plc

The LAS Group

Langham Life Assur. Co. Ltd

Legal & General (Unit Assur) Ltd

Legal & General Prop. Fd. Mgrs. Ltd

Liberty Life Assurance Co Ltd

Lloyds Life Assurance

London A'deen & Nthn. Mtl. Assur. Ltd

London Indemnity & Gnl. Ins. Co Ltd

London Life

London Life—Continued

London & Manchester Group

M & G Group

MGM Assurance

Manufacturers Life Insurance Co (UK)

Merchant Investors Assurance

Municipal Life Assurance Ltd

NEL Britannia Assc. Co. Ltd

NEL Pensions Ltd

National Mutual of Australasia

Noble Lowndes & Partners Ltd.

The Norwich Union Insurance Group

Pearl Fund Management Ltd

Pearl Assurance (Unit Funds) Ltd

Phoenix Assurance Co Ltd

Pioneer Mutual Insurance Co Ltd

Premium Life Assurance Co Ltd

Property Equity & Life Ass. Co

Property Growth Assur Co Ltd

Providence Capitol Life Assc. Co Ltd

Provident Life Assn. Ltd

Provident Mutual Life Assc. Assn.

Provincial Life Assurance Co Ltd

Prudential Pensions Limited

Refuge Assurance

Royal Life Insurance Ltd

Save & Prosper Group

Schroder Life Assurance

Scottish Amicable Investments

Scottish Equitable Life Assc. Soc.

Scottish Life Investments

Scottish Mutual Assurance Society

Scottish Mutual Investments

Scottish Provident Institution

Scottish Widows' Group

Sentinel Life plc

Sharp (Albert E) & Co.

For Casual Unit and Other Prices ring 01-247 6533

INSURANCE, OVERSEAS & MONEY FUNDS

OFFSHORE AND OVERSEAS

World Fund S.A.
2 Boulevard Royal, Luxembourg

World Fund NAV	$18.16	+0.37	—

World Wide Growth Management◆
10a, Boulevard Royal, Luxembourg

Worldwide Gth Fd	$16.57	−0.03	—

Inv. Adv.: M & G Inv. Mngt. Ltd. London

Yamaichi Dynamic Mngt Co SA
10A Boulevard Royal, Luxembourg

Advanced Tech	$17.51	+0.18	—
Dynamic Gnth Fd	$16.24	+0.22	—

Zero Bond Fund Limited
PO Box 208, St Peter Port, Guernsey 0481 26268

Zero Bond Fund	$11.95	12.63	—

Money Market Trust Funds

	Gross	Net	Gr Equiv CAR	Int Cr
The Charities Deposit Fund — 77 London Wall, London EC2N 1DB 01-588 1815				
Deposit	10.35	—	—	3-Mth
The Money Market Trust — 63 Qn Victoria St, EC4N 4ST. 01-236 0952				
Call Fnd	10.22	7.64	11.16	6mth
7-day Fnd	10.51	7.86	11.49	6mth
Oppenheimer Money Management Ltd — 66 Cannon St, EC4N 6AE. 01-236 1425				
Call Fnd	9.75	7.29	10.45	6-Mth
7-day Fund	10.36	7.74	11.11	6-Mth
Dollar	5.75	—	—	6-Mth

Money Market Bank Accounts

	Gross	Net	Gr Equiv CAR	Int Cr
Adam & Co. plc — 22 Charlotte Sq, Edinburgh EH2 4DF 031-225 8484				
Full Service Cur Acc	10.00	7.20	10.14	Qtr
Aitken Hume — 30 City Road, EC1Y 2AY. 01-638 6070				
Treasury Acc	9.75	7.29	10.56	Qtr
Mth. Int. Chq.	9.75	7.29	10.63	Mth
Allied Arab Bank Ltd — 97-101 Cannon St, London, EC4N 5AD 01-283 9111				
HIBCA	11.125	8.32	12.17	Mth
Bank of Scotland — 38 Threadneedle St, EC2P 2EH. 01-628 8060				
Money Mkt Cheque Acc	9.70	7.25	10.56	Mth
Barclays Prime Account — PO Box 125, Northampton 0604 252891				
High Int. Cheque	9.75	7.125	10.33	Qtr
Britannia Investment Services Ltd. — 74-78 Finsbury Pavement, EC2A 1JD. 01-588 2777				
Cater Allen	10.00	7.48	10.8963	Mth
Charterhouse Japhet plc — 1 Paternoster Row, EC4M 7DH. 01-248 3999				
Sterling	10.13	7.57	11.04	Mth
U S. Dollar	6.25	4.67	6.72	Mth
German Marks	4.00	2.99	4.27	Mth
Swiss francs	1.50	1.12	1.59	Mth
Japanese Yen	4.50	3.36	4.50	Mth
Citibank Savings — St Martins Hse, Hammersmith Grove 01-741 4941				
Money Market Plus	£5,000+	7.40	10.79	Mth
For other rates please 'phone our Rateline 01-846 9765				
Co-operative Bank Cheque & Save — 78-80 Cornhill EC3 01-626 6543				
£500-£2,500	6.69	5.00	7.18	Qtr
£2,500 +	9.38	7.00	10.12	Qtr
Dartington & Co Ltd — Dartington, Totnes, Devon TQ9 6JE 0803 862271				
Money Mkt Acc	10.25	7.66	11.30	Qtr
Edward Manson & Co Ltd — 9 Henrietta Place W1M 9AG 01-631 3313				
Cheque Deposit Acc	10.50	7.84	11.45	Mth
Henderson/Bank of Scotland — 38 Threadneedle St EC2P 2EH 01-628 8060				
Money Mkt. Cheque Acc.	9.70	7.25	10.56	Mth
Legal & General (Money Mngrs) Ltd — 355 Euston Road, NW1 3AG 01-388 3211				
High Int Dep Acc	10.37	7.75	11.11	6-mth
Lloyds Bank PLC — 71 Lombard St, London EC3P 3BS 01-626 1500				
HighIntCheque Account	9.60	7.60	11.01	Qtr
Lombard North Central PLC — 17 Bruton St, W1A 3DH 01-409 3434				
14-Day Notice	10.25	7.66	10.78	—
M & G/Kleinwort Benson — M & G Hse., Victoria Rd., Chelmsford 0245 266266				
H.I.C.A. (£2,500+)	9.875	7.38	10.76	Daily
Midland Bank plc — PO Box 2, Sheffield. 0742 20999 Ext 8655				
High Int Chq Acc	9.63	7.20	10.43	Qtr
£10,000 +	9.90	7.40	10.72	Qtr
NatWest Special Reserve Account — 41 Lothbury, London, EC2P 2BP				
£2,000 to £9,999	9.75	7.29	10.49	Qtr
£10,000 and above	9.875	7.375	10.67	Qtr
Oppenheimer Money Mgmnt Ltd — 66 Cannon St, EC4N 6AE 01-236 1425				
Money Mngt. Acct.	10.125	7.57	—	3-Mth
Phillips & Drew Trust Ltd — 120 Moorgate, London EC2M 6XP 01-628 9771				
High Int Chq Acc	10.125	7.57	10.97	Qtr
Provincial Trust — 30 Ashley Rd, Altrincham, Cheshire 061-928 9011				
High Int Chq Acc	10.75	8.04	11.75	Mth
Royal Bank of Scotland plc — 24 Lombard St, London EC3V 9BA 031-557 0201				
Premium Account	10.00	7.47	10.83	Qtr
Save & Prosper/Robert Fleming — 28 Western Rd, Romford RM1 3LB. 0708 66966				
H.I.B.A.	9.76	7.30	10.66	Daily
Tyndall & Co — 29-33 Princess Victoria St, Bristol 0272 732241				
Demand Acc	10.01	7.49	10.84	Qtr
Money Acc	10.20	7.63	11.05	Qtr
J. Henry Schroder Wagg & Co Ltd — Enterprise House, Portsmouth 0705 827733				
Special Acc.	9.75	7.29	10.61	Mth
Over £10,000	10.00	7.48	10.90	Mth
Western Trust & Savings Limited — The Moneycentre, Plymouth PL 1SE 0752 24141				
High Int Chq Acc	10.56	7.89	11.45	Qtr

NOTES—Gross: rate to those exempt from composite rate of tax. Net: actual rate after deduction of CRT. Gr Equiv CAR: Gross equivalent to basic rate taxpayers—compounded annual rate. Int Cr: frequency interest credited.

NOTES

Prices are in pence unless otherwise indicated and those designated $ with no prefix refer to U.S. dollars. Yields % (shown in last column) allow for all buying expenses. a Offered prices include all expenses. b Today's prices. c Yield based on offer price. d Estimated. g Today's opening price. h Distribution free of UK taxes. p Periodic premium insurance plans. s Single premium insurance. x Offered price includes all expenses except agent's commission. y Offered price includes all expenses if bought through managers. z Previous day's price. ¶ Guernsey gross. # Suspended. ◆ Yield before Jersey tax. † Ex-subdivision. ‡‡ Only available to charitable bodies. ⊕ Yield column shows annualised rates of NAV increase or ex dividend.

TRADITIONAL OPTIONS

3-month call rates

Industrials	p		p
Allied-Lyons	28	Marks & Spencer	18
BAT	38	Midland Bk	44
BOC Grp	32	NEI	11
BSR	14	Nat West Bk	70
BTR	45	P & O Dfd	45
Babcock	20	Plessey	20
Barclays	45	Polly Peck	16
Beecham	32	Racal Elect	17
Blue Circle	55	RHM	20
Boots	25	Rank Org Ord	48
Bowaters	30	Reed Intnl	75
Brit Aerospace	48	Sears	12
Brit. Telecom	17	TI	42
Brown (J.)	3	Tesco	30
Burton Ord	32	Thorn EMI	35
Cadburys	17	Trust Houses	12
Charter Cons	22	Turner Newall	18
Comm Union	28	Unilever	120
Courtaulds	26	Vickers	40
Distillers	52	Wellcome	19
FNFC	15	**Property**	
Gen Accident	75	Brit Land	16
Gen Electric	17	Land Secs	30
Glaxo	100	MEPC	32
Grand Met	34	Peachey	24
GUS 'A'	75	Samuel Props	18
Guardian	75	**Oils**	
GKN	32	Brist. Oil & Min	2½
Hanson Tst.	16	Brit Petroleum	48
Hawker Sidd	52	Burmah Oil	30
ICI	50	Charterhall	3
'Imps'	28	Premier	3½
Jaguar	27	Shell	55
Ladbroke	32	Tricentrol	15
Legal & Gen	79	Ultramar	18
Lex Service	38	**Mines**	
Lloyds Bank	55	Cons Gold	40
Lucas Inds	68	Lonrho	25
		Rio T Zinc	50

A selection of Options traded is given on the London Stock Exchange Report Page.

COMMODITIES AND AGRICULTURE

Cash aid for Malaysia's tin mines

BY WONG SULONG IN KUALA LUMPUR

THE Malaysian Government is to consider providing its mining companies with soft loans to help them survive the current slump in the tin market.

The proposal is part of a four-point plan prepared by Datuk Paul Leong, the Minister of Primary Industries, in response to pleas for assistance from the industry.

Details will be hammered out between mining companies and Government officials over the coming weeks, and Datuk Leong will present the proposals to the cabinet for approval next month.

The immediate problem is that at present prices of about 14 ringgit a kilo, most Malaysian miners are not prepared to sell their tin because they would incur losses. As a result, they have built up a huge stockpile of between 11,000 tonnes and 12,000 tonnes of unsold tin, which in turn is creating a depressing overhang on the market.

Last week, Malaysian miners sold only 228 tonnes on the Kuala Lumpur tin market at the average price of 14.3 ringgit a kilo.

The minister's proposals have been welcomed by the tin industry.

The proposals are:

- To establish a government soft loan scheme for miners, using tin as collateral;
- To mothball mines which cannot operate at current prices, but which will be profitable if prices move up to above 16 or 17 ringgit a kilo;
- To reduce fuel costs, which account for 35 per cent to 40 per cent of production costs at the gravel pump mines;
- To consider establishing a tin fund under which the government will buy tin from miners at a guaranteed price.

This last proposal is from the Chamber of Mines, and is unlikely to find government favour as it smacks of another buffer-stock operation.

According to Datuk Leong, the rationale behind government aid to miners is the belief that tin prices will improve to 18 or 19 ringgit a kilo after a year, in which case most of the existing 180 mines will be able to survive to produce between 30,000 and 35,000 tonnes a year.

"We acknowledge tin mining is a sunset industry, but we do not want to see it dead. The next 12 months will be critical, and we want to help miners over this difficult period," he said.

The soft loan scheme is the most interesting proposal, and one which is likely to find favour with the cabinet.

For easy calculation, assuming the Malaysian Government has decided on 17 ringgit as the equilibrium price, and the market price is 14 ringgit a kilo, miners can borrow 3 ringgit (the difference between the equilibrium and market price) from the Government for every kilo they produce, provided they deposit tin worth the amount they borrow.

Such a loan scheme could be the answer to the problem for cash-strapped miners, holding high stocks, which they are unwilling to sell at current low prices.

Datuk Leong said he is in favour of miners selling off their current stocks, even at a loss, because this would remove the overhang in the market and give miners some liquidity.

Rubber talks stall over price range

BY WILLIAM DULLFORCE IN GENEVA

TALKS on a new International Natural Rubber Agreement (Inra) entered their second week in Geneva yesterday with no sign of understanding between producers and consumers over the crucial issue of a new price range.

Mr Manaspas Xuto, the chairman of the UN conference, is expected to set up a small contact group later this week to concentrate and speed up the negotiations which are due to end on May 23.

Some delegates among the almost 50 countries represented are already suggesting that no accord will be forthcoming from the present session and that the conference will have to reconvene later this year. Others, however, argue that a failure to tackle the core issue this time could mean the end of the Inra.

The rubber exporting countries have asked for an increase of 30 per cent in the reference price, currently fixed at 201.66 Malaysian/Singapore cents a kilo. The reference price determines the price levels at which the Inra buffer stock manager may, or is obliged to, buy or sell.

The price increase would be applicable to the new Inra which would come into force in October 1987, when the current agreement expires. The reference price of 265c a kilo sought by exporters compares with a price on the Kuala Lumpur Commodities Exchange at the end of last week of 177 cents for SMR 20, the second leading grade, which covers more than 40 per cent of Malaysia's rubber production.

Consumers, among which the EEC, the US and Japan between them account for about 65 per cent of net world imports, argue that the exporters' proposed reference price is totally divorced from market realities, particularly in view of the 375,000 tonnes of rubber now held in the buffer stock.

Producers have indicated that the reference price of 265c they proposed last year is negotiable, but they insist that the price in the new agreement must take into account the effect of inflation on production costs and the need to encourage growers to invest, in order to ensure orderly growth in the rubber business in the longer-term.

The positions staked out by the two sides last week agreed only that price stabilisation should be a primary objective and that the new Inra should be "financially viable." Prudence in financial commitments is a shared concern after the debacle last year in the International Tin Agreement.

Mr Oswald van Wauwe, the leader of the EEC team, insisted that price stabilisation should be distinguished from "any concept to support natural rubber prices."

In contrast, Mr Ahmed Farouk of Malaysia, the producers' spokesman, said price stabilisation was meaningful only if it brought about prices that were remunerative to producers, fair to consumers and led to an expansion in the export earnings of developing countries.

Views differed on the role of the buffer stock. The EEC argued that it should remain the only instrument for intervention in the new Inra and that its financing should derive solely from the contributions of Inra member countries without recourse to commercial loans.

The producers claimed that the buffer stock alone might be insufficient to stabilise prices.

Fall in wool output expected

BY ANDREW GOWERS

WORLD wool production is expected to show its first decline this season since 1982, mainly as a result of difficulties in the Soviet Union and New Zealand, the second and third largest producing countries.

According to the Commonwealth Secretariat's Wool Quarterly publication, production of greasy (untreated) wool is likely to decline by 1 per cent to 2.94m tonnes in 1985-86. In addition, it says that the recent rise in world sheep numbers has come to a halt. However, it points out that size of the world clip remains well above the average for the four seasons up to 1983-84.

Output in Australia, by far the biggest exporter, is now forecast to total 811,700 tonnes, down by 0.4 per cent on last season's level, which was the highest since 1971-72. The fall mainly reflects a cut in average fleece weights as a result of a return to more normal seasonal conditions.

Following several years of rising sheep numbers, Australia has now regained its position as the largest producer — a lead which it lost to the Soviet Union in the mid-1970s. Flock growth there partly reflects the influence of relative price stability for wool and declining profitability in other rural enterprises such as meat and crops, the secretariat says.

RAW WOOL PRODUCTION ('000 tonnes, greasy basis)

	1984-85	1985-86
World	2,965	2,943
of which:		
Australia	815	811
Soviet Union	488	463
New Zealand	373	353
China	176	170
Argentina	150	155
South Africa	105	102

Source: Commonwealth Secretariat, International Wool Study Group and International Wool Textile Organisation.

In New Zealand, by contrast, the largest producer of crossbred and broader-type wools, sheep farmers are experiencing what the report describes as "unprecedented difficulties" as a result of the phasing-out of government assistance to farmers, of high interest rates and of a downturn in local wool prices.

Production is expected to fall by 5 per cent to 353,000 tonnes, its lowest level since 1978-79. And in its first significant decrease for more than a decade, the New Zealand flock fell by 1.7 per cent in the year to June 1985 and is expected to drop by another 2.5 per cent this season.

In the Soviet Union, the main difficulty has been poor supplies of feed in the winter of 1984-85. The report says flocks have been slow to recover, and the amount of wool shorn fell last year as a result. Production dropped by about 5 per cent to 464,000 tonnes last year.

Output has also dropped in China, South Africa and the US, but has made a strong recovery in South America and is now reaching record levels in Britain and Pakistan.

Consumption, meanwhile, remains "reasonably buoyant," the report says, with year-on-year growth in wool manufacturing activity of the order of 3 per cent in the 10 leading manufacturing countries.

Florida seeks orange juice import duty

FLORIDA Citrus Mutual the largest association of citrus growers in the US, is seeking the imposition of anti-dumping duties on the importation of frozen concentrated orange juice from Brazil, Reuter reports.

It asks that the Commerce Department and the International Trade Commission initiate an anti-dumping investigation to determine whether imports of Brazilian juice are being sold in the US at less than fair value.

Mutual said the current wave of depressive pricing by Brazil has forced US market prices to their lowest point in at least five years.

Cow sale case settled

US CATTLE groups and the US Agriculture Department, has settled a lawsuit over how fast the Government will require dairy farmers to sell their cows for slaughter under a new programme aimed at curbing milk surpluses.

Under the compromise, the department agreed to let dairy farmers voluntarily delay killing their cows until the last year of the 18-month herd buy-out programme.

Arab states cut oil prices

BY OUR MIDDLE EAST STAFF

ABU DHABI and Oman have informed contract customers of retrospective cuts in prices for their crude varieties for April deliveries ranging from 95 cents per barrel to $1.20, purchasers confirmed yesterday.

They were commenting on a report in the latest edition of the Middle East Economic Survey which said that Abu Dhabi, as well as Oman, now fixes its prices in line with a formula providing for monthly retrospective assessment in accordance with actual spot crude prices during the previous month.

The price of Abu Dhabi's Murban has been reduced to $11.30 per barrel from $12.50 in March while the Oman rate has been cut from $11.85 to $10.50. The differential between the two varieties has fallen to 40 cents per barrel compared with 65 cents in March and 85 cents in February.

The move follows Saudi Arabia's offer for May deliveries of discounts of 50 cents to $1.25 per barrel—depending on volumes—below the rates based on the net-back formula applied since last autumn whereby the prices is related to actual product realisations on the market less costs of refining and transportation as well as an agreed profit margin. At present this averages about $13.50.

Large customers of Saudi Arabia are understood to be less than happy about the size of the Saudi price concession

LONDON METAL EXCHANGE WAREHOUSE STOCKS

(Change during week ending last Friday) (tonnes)

Aluminium	−3,575	to 145,250
Copper	−1,750	to 130,850
Lead	−300	to 62,175
Nickel	+1,122	to 7,008
Tin	−1,095	to 58,660
Zinc	+2,950	to 50,725
	(ounces)	
Silver	Unchanged	to 39,068,000

Chernobyl: unanswered questions

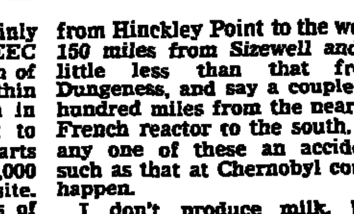
THE NUCLEAR catastrophe at Chernobyl should be a warning to us all, that modern scientific techniques are not infallible and that accidents can happen no matter what political system they operate under. As witness the US space shuttle disaster, Three Mile Island, and even our own little local difficulties at Sellafield.

I am concerned both as a citizen and a farmer, and in these categories I am appalled at the lack of information provided by governments as to the possible dangers of radiation and the means of coping with them.

These dangers, it seems to me, are just as serious whether the radiation is a result of an act of war or of human inefficiency.

We are told that radiation is far more persistent than, say, poison gas; that it might take 40 years before the victims develop cancer; that it will be generations perhaps before genetic mutations appear in living animals and plants. It could be that governments do know what could happen and are fearful of the consequences of telling populations of the risks they are running either from nuclear weapons or nuclear power.

FARMER'S VIEWPOINT



By John Cherrington

Some people are certainly getting the wind up. The EEC is forbidding the importation of foodstuffs from areas within 500 miles from Kiev. Even in Britain one is warned not to drink fresh rainwater in parts of the country—at least 1,000 miles from the accident site. We are told that the levels of radiation should cause no alarm. Then why send us to the tap or to bottled water?

In Germany and Holland farmers are advised to keep their cows indoors and not to sell their milk. In Russia one hears that livestock has had to be moved and that some land could be uncroppable for years. This may just be alarmist reaction, but in the absence of authoritative evidence, fantasy and rumour will flourish.

As a farmer, I think I should be told. As the crow flies, my farm is no more than 100 miles from Hinckley Point to the west, 150 miles from Sizewell and a little less than that from Dungeness, and say a couple of hundred miles from the nearest French reactor to the south. In any one of these an accident such as that at Chernobyl could happen.

I don't produce milk, but have large numbers of sheep and pigs which I am not able to put under cover. I can't even stop the sheep from drinking fresh rainwater as they get much moisture from wet grass. If livestock are affected, can they be killed for human consumption? How do I know how much they have been affected? And what about the crops? At this time of year growth is at its maximum. What damage will be done to them and to the land on which they are being grown? Are there any remedial steps that I can take?

These questions demand an answer — if there is a logical answer, that is. I would like to know what research is being done into the effects of radiation on plants and animals. There have been tales of secret tests which had some horrific results, but there has been no accurate information as to just how bad the results were. If there indeed have been these tests, farmers and the general public should know the risks they would be facing should there be a radiation accident, however caused.

In 1938-39 the British public was very apprehensive of war and air raids and gas as well. But as civilians we were trained in large numbers in air raid precautions which included protection against chemical warfare. Our instructors pulled no punches and we were told the facts from some pretty grisly diagrams. I don't know that the training would have been particularly effective if the worst happened, but at least we were trained to react. We knew what to expect.

I think it essential that we should be told the risks of atomic energy in relation to its benefits and if these risks are to be accepted then we should learn how to deal with the accidents when they happen.

LONDON MARKETS

ROBUSTA coffee futures collapsed yesterday on the London Commodity Exchange to their lowest level since early December, following news at the weekend that Colombia had cut its export registration price by $10 a bag to $350. Dealers said the move underlined the change in sentiment since the price boom of a few months ago, and spurred selling in what was already a weak market, with little buying interest. The July contract closed at £1,998.50 a tonne, down £139 on the day. Cocoa futures, by contrast, reversed their recent bear trend and rose £31 on the day in the July position to close at £1,305.50 per tonne. The market was buoyed by a statement of support for the International Cocoa Agreement by Mr Denis Bra Kanon, the Ivory Coast Agriculture Minister, although it was not immediately clear whether this would improve the chances of agreement on a new pact. On the London Metal Exchange, aluminium ended the day weaker in spite of a 51,000-tonne fall in non-Communist world stocks.

LME prices supplied by Amalgamated Metal Trading.

INDICES

REUTERS

May 9	May 8	M'th ago	Year ago
1790.4	1776.4	1822.5	1695.5

(Base: September 18 1931 = 100)

DOW JONES

Dow Jones	May 9	May 8	Month ago	Year ago
Spot	129.22	128.70	—	117.22
Fut.	124.72	124.76	—	122.43

(Base: December 31 1931 = 100)

MAIN PRICE CHANGES

In tonnes unless otherwise stated.

	May 13 1986	+ or —	Month ago
METALS			
Aluminium			
Free Market	$1307/327	−3	$1290
Copper			
Cash h Grade	£984	−15.75	£961
3 mths	£936.25	−9.5	£980.75
Gold Troy oz	$345.25		$341
Lead Cash	£239.5	−0.75	£246.25
3 mths	£246.25		£251.5
Nickel			
Free Mkt	194/204c	−1	185/195c
Palladium oz	$110.00	−0.35	$107.50
Platinum oz	$423.25	+1.50	$424.50
Quicksilver†	$220/230		$218/229
Silver troy oz	357.50p	−0.85	570.80p
3 months	345.80p	−0.80	579.60p
Tin			
free mkt	£2528.40	−45	
Tungsten	$62.07		$64.98
Wolfram 22.4lb.	$45/55		$47/55
Zinc	£451.75	+0.75	£455.5
3 months	£453.25	+1.75	£446.25
producers	$700/750		$650/700
OILS			
Coconut (Phil)	$250x	−5	$280
Palm Malayan	$245z		$260
Copra Phil	$155x		$180
Soyabean (U.S.)	$154x		$160
GRAINS			
Barley Fut.Sept.	£98.40	−0.10	£99.10
Maize	£142.00	−1	£130.00
Wheat Fut July	£117.90	1.10	£130.15
No. 2 Hard Wint.	‡		
OTHERS			
Cocoa Ft. July	£1305.5	+31	£1336
Coffee Ft. July	£1998.5	−139	£2365
Cotton A Ind.*	45.80c	−0.15	48.45c

ALUMINIUM

Official closing (am): Cash 767-7.5 (778.5-95), three months 752-2.5 (762.5-3), settlement 767.5 (779.5). Final Kerb close: 748-8.5. Turnover: 11,125 tonnes.

	Unofficial + or close (p.m.) — £ per tonne		High/low
Cash	762.4	−15	767.757
3 months	750-1	−12	753/748

COPPER

LEAD

TIN

Kuala Lumpur Tin Market: Close 14.05 (14.08) ringgit per kg. Down 0.4 ringgit per kg.

NICKEL

ZINC

GOLD

SILVER

SOYABEAN MEAL

RUBBER

TEA

GRAINS

Old crop wheat eased on nervous long liquidation while new crops eased fractionally on merchant/shipper selling, reports T. G. Roddick.

COFFEE

COCOA

POTATOES

SUGAR

MEAT

US MARKETS

THE LACK of fresh economic news led to a dull day in the precious metal markets, reports Heinold Commodities. Copper drifted slightly lower in uneventful trading as traders awaited the outcome of the forthcoming copper talks. Coffee continued to plunge towards three months lows, basis July, after having crashed through what was thought to be firm support at 220 cents. Cocoa gained strongly towards mid session following the Ivory Coast announcement that it would participate in the fourth International Cocoa Agreement. Sugar futures remained lower as early European trade selling inspired fund liquidations. There was no discernible feature to influence the sentiment in the energy complex and prices remained lower in a tight range. Commission house and local selling kept the grain and soyabean futures under pressure, following easing of concern over the USSR nuclear accident.

NEW YORK

CHICAGO

OIL

GAS OIL FUTURES

FREIGHT FUTURES

CURRENCIES, MONEY and CAPITAL MARKETS

FOREIGN EXCHANGES

Dollar pauses at Y160

The dollar continued to weaken on the foreign exchanges yesterday, but finished towards the top of the day's range, after opening very weak in London, particularly against the Japanese yen. The dollar fell below Y160 in the Far East, but held at that level in early London trading, and then slowly recovered. Intervention by the Bank of Japan in Tokyo, failed to prevent the dollar falling, but after reaching Y160 the market paused, and preferred to take profits before again testing the central bank's resolve. The dollar also lost ground to the D-mark, but dealers appeared equally reluctant to tempt intervention by the West German Bundesbank, and did not apply any strong upward pressure on the German currency. Dealers await Congressional testimony today by Mr James Baker, US Treasury Secretary, and for this week's US statistics, for further guidance on the dollar's prospects.

The dollar fell to a record closing low of Y161.05 from Y162.50; to DM 2.1740 from DM 2.1785; to FFr 6.9225 from FFr 6.9375; and to SFr 1.8025 from SFr 1.8085. On Bank of England figures the dollar's index fell to 112.8 from 112.8.

STERLING — Trading range against the dollar in 1986 is 1.5555 to 1.3770. April average 1.5085. Exchange rate index rose 0.4 to 76.0, and traded at that level from 11.00 am onwards, after opening at 75.9.

Sterling traded quietly, remaining on the sidelines. It was generally firm however, showing no reaction to the political uncertainty caused by last Thursday election results in the UK. There was also no impact on the pound from the devaluation of the Norwegian krone by 12 per cent over the weekend, the currency of the other main North Sea oil producer. The rise of 0.8 per cent in April UK producer prices was lower than expected, and helped support sterling, which gained ¼ cent to $1.5455-1.5465. The pound also rose to DM 3.36 from DM 3.3575, and to FFr 10.7025 from FFr 10.69, was unchanged at SFr 2.7875, and fell to Y249 from Y250.

D-MARK — Trading range against the dollar in 1986 is 2.4710 to 2.1640. April average 2.2723. Exchange rate index 135.4 against 127.6 six months ago.

The D-mark improved against the dollar, but was not the subject of as much upward pressure as the yen. Although there was fear of central bank intervention, there was no sign of the Bundesbank in the market. The German central bank did not intervene when the dollar fell to DM 2.1710 from DM 2.1805 at the Frankfurt fixing. It was suggested the market was reluctant to take the dollar below DM 2.17, the level at which the Bundesbank bought a small amount of dollars two weeks ago. Sentiment surrounding the dollar remained bearish, but the market was cautious ahead of Mr Baker's testimony before Congress today, and various US economic data. At the Frankfurt close the dollar had fallen to DM 2.17025 from DM 2.1757.

JAPANESE YEN — Trading range against the dollar in 1986 is 202.70 to 161.05. April average 175.05. Exchange rate index 210.8 against 177.4 six months ago.

The yen rose against the dollar in Tokyo yesterday, despite the efforts of the Bank of Japan. The Japanese central bank intervened to support the dollar at various times throughout the day, but failed to prevent the US currency touching Y159.99. This was a record trading low for the dollar, but it recovered a little at the close, to finish at Y160.20, compared with Y162.83 on Friday. Heavy speculative selling depressed the dollar, on expectations that the US Administration continues to look for a weakening of its currency, to correct the trade imbalance between the US and Japan. It was estimated the Bank of Japan bought about $150m.

£ IN NEW YORK

May 12	Close	Prev. close
£ Spot	$1.5450-1.5460	$1.5375-1.5385
1 month	0.50-0.47pm	0.50-0.49pm
3 months	1.32-1.27pm	1.37-1.35pm
12 months	3.68-3.58pm	3.90-3.90pm

Forward premiums and discounts apply to the U.S. dollar.

POUND SPOT—FORWARD AGAINST POUND

May 12	Day's spread	Close	One month	% p.a.	Three months	% p.a.
US	1.5420-1.5490	1.5455-1.5465	0.48-0.47c pm	3.72	1.29-1.26 pm	3.30
Canada	2.1276-2.1385	2.1320-2.1334	0.37-0.27c pm	1.60	0.82-0.67 pm	1.40
Nethlnd.	3.77¾-3.79	3.78-3.79	1⅞-1⅝c pm	4.36	4⅞-3⅞ pm	4.23
Belgium	68.37-68.79	68.60-68.70	16-11c pm	2.36	43-33 pm	2.21
Denmark	12.41-12.46½	12.41-12.42	4⅞-3ore pm	3.68	9⅞-8⅞ pm	2.84
Ireland	1.1095-1.1085	1.1125-1.1135	par-0.10p dis	-0.54	0.28-par	-0.24
W. Ger.	3.35-3.36½	3.35½-3.36½	1⅞-1⅝pf pm	6.25	4⅞-4⅞ pm	5.58
Portugal	223-227	224-226	110-365c dis	-12.40	315-1035dis	-11.31
Spain	213.65-214.21	213.65-213.85	15-50c dis	-1.36	65-105dis	-2.34
Italy	2300-2311	2305-2308	par-6lire dis	-1.56	7-14dis	-1.82
Norway	11.44-11.51	11.47½-11.48½	3-3⅝ore dis	-3.45	9⅞-10⅞dis	-3.53
France	10.67½-10.71½	10.69½-10.70½	3-2⅝c pm	3.01	7⅞-6⅞ pm	2.73
Sweden	10.85½-10.90	10.85½-10.86½	1-1⅞ore dis	-1.17	1⅞-2⅞ dis	-0.74
Japan	247⅞-249⅞	248⅞-249⅞	1⅞-1⅞y pm	6.53	3⅞-3⅞ pm	5.52
Austria	23.59-23.65	23.59-23.63	12⅞-11gro pm	6.04	31⅞-19⅞pm	4.22
Switz.	2.77⅞-2.79⅞	2.78⅞-2.79⅞	1⅞-1⅞c pm	7.00	4⅞-4⅞pm	6.01

Belgian rate is for convertible francs. Financial franc 68.90-69.00. Six-month forward dollar 2.25-2.20p pm. 12-month 3.65-3.55p pm.

DOLLAR SPOT—FORWARD AGAINST DOLLAR

May 12	Day's spread	Close	One month	% p.a.	Three months	% p.a.
UK†	1.5420-1.5490	1.5455-1.5465	0.48-0.47c pm	3.72	1.29-1.26pm	3.30
Ireland†	1.3875-1.4020	1.3890-1.4000	0.50-0.40c pm	3.85	1.30-1.00pm	3.14
Canada	1.3775-1.3810	1.3800-1.3810	0.21-0.24c dis	-1.96	0.80-0.70dis	-1.98
Nethlnd.	2.4350-2.4550	2.4475-2.4485	0.14-0.11c pm	0.61	0.37-0.32pm	0.56
Belgium	44.25-44.45	44.35-44.45	4-6c dis	-1.35	10-15dis	-1.13
Denmark	8.01-8.05	8.03⅞-8.03½	2.10-2.60ore dis	-3.56	6⅞-7⅞dis	-3.61
W. Ger.	2.1675-2.1780	2.1735-2.1745	0.08-0.43pf pm	2.52	1.29-1.23pm	2.31
Portugal	145-146	145-146	120-370c dis	-20.60	360-1095dis	-20.12
Spain	138.10-138.75	138.45-138.55	50-75c dis	-5.41	170-205dis	-5.42
Italy	1,488⅞-1,498	1,493⅞-1,493⅞	5⅞-6⅞lire dis	-4.04	17⅞-18dis	-4.77
Norway	7.41-7.51	7.42⅞-7.43⅞	10⅞-11⅞ore dis	-17.77	19-30dis	-13.25
France	6.90-6.94	6.92-6.93	0.15-0.40c dis	-0.64	0.65-1.05dis	-0.98
Sweden	7.02-7.06	7.02-7.03	2.90-3.20ore dis	-5.21	7.05-7.35dis	-4.09
Japan	160.00-161.30	161.00-161.10	0.37-0.32y pm	2.57	0.94-0.89pm	2.28
Austria	15.25-15.31	15.28-15.29	3-2gro pm	1.96	6-5pm	1.44
Switz.	1.7995-1.8100	1.8020-1.8030	0.57-0.46c pm	3.34	1.29-1.24pm	2.80

† UK and Ireland are quoted in US currency. Forward premiums and discounts apply to the US dollar and not to the individual currency. Belgian rate is for convertible francs. Financial franc 44.50-44.60.

EMS EUROPEAN CURRENCY UNIT RATES

	Ecu central rates	Currency amounts against Ecu May 12	% change from central rate	% change adjusted for divergence	Divergence limit %
Belgian Franc	43.6761	43.8886	+0.49	+0.58	±1.5344
Danish Krone	7.91117	7.9498	+0.49	+0.58	±1.6404
German D-mark	2.13834	2.14906	+0.50	+0.59	±1.0981
French Franc	6.87456	6.84825	-0.38	-0.29	±1.3701
Dutch Guilder	2.40935	2.42254	+0.48	+0.58	±1.5081
Irish Punt	0.712956	0.709914	-0.43	-0.33	±1.6689
Italian Lira	1496.21	1476.08	-1.36	-1.35	±4.0788

Changes are for Ecu, therefore positive change denotes a weak currency. Adjustment calculated by Financial Times.

FINANCIAL FUTURES

Weaker trend

US bond prices were weaker in the London International Financial Futures Exchange yesterday. Speculation that the Japanese authorities would cut their discount rate in order to limit the yen's rise against the dollar failed to give the support that would normally have been expected and a negative feeling in the market soon produced a steady selling trend.

Sentiment was further undermined as US bond prices in Chicago went limit down and values in London hovered about seven points below the limit until the resumption of business in Chicago. This prompted a rash of short covering and profit-taking so that prices finished above the day's lows. However, the market remained unimpressed, with today's US retail sales and testimony by Mr James Baker, US Treasury Secretary likely to be a key influence. Yesterday's sombre mood reflected uncertainty about the inflationary effects of a weaker dollar and a recent rebound in oil prices. The June Treasury bond opened at 98-29 and touch a low of 96-30 before closing at 97-12, down from 99-06 on Friday.

Long gilt prices ended on a weak note but once again a little above the day's lows. The June prices opened at 125-08 down from 125-16 and touched a low of 124-08 before closing at 124-14, down from 125-16 on Friday.

LIFFE LONG GILT FUTURES OPTIONS

Strike price	Calls—Last June	Sept	Dec	Mar	Puts—Last June	Sept	Dec	Mar
116	8.38	9.07	—	—	0.00	0.25	—	—
118	6.38	7.27	—	—	0.00	0.45	—	—
120	4.39	5.56	—	—	0.01	1.09	—	—
122	2.38	4.22	—	—	0.08	1.50	—	—
124	1.05	3.22	—	—	0.41	2.40	—	—
126	0.18	2.25	—	—	1.54	3.43	—	—
128	0.02	1.42	—	—	3.39	4.60	—	—
130	0.00	1.07	—	—	5.36	6.25	—	—

Estimated volume total, Calls 1,942, Puts 534. Previous day's open int. Calls 1,009, Puts 3,477

LIFFE US TREASURY BOND FUTURES OPTIONS

Strike price	Calls—Last Sept	Dec	Mar	Puts—Last June	Sept	Dec	Mar
92	5.26	6.03	—	0.00	1.37	—	—
94	3.28	4.54	—	0.04	2.18	—	—
96	1.42	3.47	—	0.24	3.11	—	—
98	0.41	2.52	—	1.17	4.16	—	—
100	0.10	2.04	—	2.50	5.32	—	—
102	0.01	1.31	—	4.41	6.59	—	—
104	0.00	1.02	—	6.40	8.30	—	—
106	0.00	0.45	—	8.40	10.09	—	—

Estimated volume total, Calls 396, Puts 258. Previous day's open int. Calls 2,241, Puts 1,338

LIFFE £/$ OPTIONS
£25,000 (cents per £1)

LONDON SE £/$ OPTIONS
£12,500 (cents per £1)

PHILADELPHIA SE £/$ OPTIONS
£12,500 (cents per £1)

LIFFE—EURODOLLAR OPTIONS
$1m points of 100%

NEW YORK RATES
(Lunchtime)

Prime rate	8½
Broker loan rate	7⅞
Fed funds	6⅞
Fed funds at intervention	—
Treasury Bills & Bonds	
One month	5.78
Two month	6.06
Three month	6.32
Six month	6.43
One year	6.56
Two year	7.00
Three year	7.17
Four year	7.33
Five year	7.41
Seven year	7.59
10 year	7.64
30 year	7.44

CURRENCY MOVEMENTS

May 12	Bank of England Index	Morgan Guaranty Changes %
Sterling	76.0	-15.4
U.S. dollar	112.8	+3.9
Canadian dollar	76.1	-18.8
Austrian schilling	136.8	+7.1
Belgian franc	95.7	-2.7
Danish Krone	86.4	-0.7
Deutsche mark	135.4	+14.9
Swiss Franc	158.6	+16.5
Guilder	126.5	+9.4
French franc	69.5	-13.8
Lira	46.8	-17.8
Yen	210.5	+55.1

Morgan Guaranty changes: average 1980-1982=100. Bank of England Index (base average 1975=100).

CURRENCY RATES

May 12	Bank rate %	Special Drawing Rights	European Currency Unit
Sterling	—	0.757480	0.639495
U.S. $	6½	1.16815	0.988985
Canadian $	8.97	—	1.36551
Austria Sch	4	18.1534	15.1216
Belgian Fr	8½	52.5381	43.8886
Danish Kr	7	9.52707	7.95498
D'mark	3½	2.57947	2.14906
Guilder	4½	2.90443	2.42254
French Fr	9½	8.28319	6.84825
Lira	12	1771.05	1476.08
Yen	3½	190.520	159.207
Norway Kr	8	8.93498	7.36398
Span'h Pta	—	164.084	136.676
Swedish Kr	8½	8.35695	6.95405
Swiss Fr	4	2.15891	1.78238
Greek Drch	20½	161.589	134.770
Irish Punt	—	N/A	0.709914

* CS/SDR rate for May 9: 1.63440.

OTHER CURRENCIES

May 12	£	$
Arg'tina	1.2967-1.5010	0.8400-0.9410
Aus'alia	2.0710-2.0750	1.3385-1.3400
Brazil	21.36-21.41	13.77-13.84
Finland	7.6510-7.6630	4.9485-4.9515
Greece	206.34-213.25	134.94-137.75
H'kong	12.0405-12.0605	7.8075-7.8095
Iran	119.70*	78.95*
Kuwait	0.4435-0.4455	0.2880-0.2890
Lux'bourg	68.60-68.70	44.35-44.45
Malaysia	3.9705-4.0100	2.5680-2.5690
N.Zealand	2.6150-2.6385	1.6905-1.6950
Saudi Ar.	5.6700-5.6950	3.6480-3.6515
Sin'pore	3.3550-3.4170	2.2060-2.2080
S.Af.(Cm)	3.3550-3.3850	2.1640-2.1665
S.Af.(Fn)	4.9500-5.1500	3.2270-3.3375
U.A.E.	5.6740-5.6760	3.6720-3.6735

* Selling rate.

CHICAGO

THREE-MONTH STERLING
£500,000 points of 100%

THREE-MONTH EURODOLLAR
$1m points of 100%

FT-SE 100 INDEX
£25 per full index point

US TREASURY BONDS
8% $100,000 32nds of 100%

EXCHANGE CROSS RATES

May 12	£	$	DM	YEN	F Fr.	S Fr.	H FL	Lira	C $	B Fr.
£	1.	1.546	3.360	249.0	10.70	2.788	3.785	2307.	2.134	68.65
$	0.647	1.	2.174	161.1	6.923	1.803	2.448	1492.	1.380	44.40
DM	0.298	0.460	1.	74.11	3.185	0.830	1.126	686.6	0.635	20.43
YEN	4.016	6.209	13.49	1000.	42.98	11.19	15.20	9263.	8.571	275.7
F Fr.	0.934	1.445	3.139	232.7	10.	2.605	3.537	2156.	1.994	64.14
S Fr.	0.359	0.555	1.205	89.33	3.839	1.	1.358	827.4	0.766	24.63
H FL	0.264	0.408	0.888	65.79	2.828	0.736	1.	609.4	0.564	18.14
Lira	0.434	0.670	1.457	108.0	4.640	1.209	1.641	1000.	0.925	29.76
C $	0.469	0.724	1.574	116.7	5.015	1.306	1.773	1081.	1.	32.17
B Fr.	1.457	2.252	4.894	362.7	15.59	4.060	5.513	3360.	3.109	100.

Yen per 1,000; French Fr per 10; Lira per 1,000; Belg Fr per 100.

LONDON

20-YEAR 12% NOTIONAL GILT
£50,000 32nds of 100%

CERT DEPOSIT (IMM)
$1m points of 100%

THREE-MONTH EURODOLLAR (IMM)
$1m points of 100%

US TREASURY BILLS (IMM)
$1m points of 100%

20% NOTIONAL SHORT GILT
£100,000 64ths of 100%

	Close	High	Low	Prev
June	102-32	102-38	102-20	102-35
Sept	102-8	—	—	102-65

Est. Volume 232 (61). Previous day's open int. 1,444 (1,459)

MONEY MARKETS

Easier rates reflect quiet optimism

UK clearing bank base lending rate 10½ per cent since April 21

Interest rates were slightly easier in London yesterday in rather quiet trading. There was little new to influence the market although sterling's continued steady trend and speculation about another reduction in Japanese interest rates tended to refuel thoughts about a cut in UK clearing bank base rates. Three-month interbank money was quoted at 10⅛-10⅛ per cent compared with 10⅛-10⅛ per cent while the one year rate eased to 9⅞-9⅞ per cent from 9⅞-9⅞ per cent. Short term money rates were firmer however as the authorities gave considerably less help than the published forecast. Overnight money touched 15 per cent during the afternoon.

The Bank of England forecast a shortage of around £250m with factors affecting the market including maturing assistance and a take up of Treasury bills together draining £668m. These were partly offset by Exchequer transactions adding £15m and a fall in the note circulation of £345m. In addition banks brought forward balances £70m above target. The forecast was revised to a shortage of around £300m and the Bank gave assistance in the morning of £10m through outright purchases of eligible bank bills in band 2 at 10⅛ per cent.

Further help was given in the afternoon of £67m. This comprised outright purchases of £78m of eligible bank bills in band 2 at 10⅛ per cent and £9m in band 3 at 10⅛ per cent. Late assistance came to £45m, making a total of £142m.

In Frankfurt the Bundesbank announced a 28-day sale and repurchase tender at a fixed rate of 4.35 per cent. Funds will be allocated to commercial banks tomorrow, coinciding with a maturing facility of DM 15.1bn. The fixed rate was much as expected with the Bundesbank's ability to encourage a gentle easing in money rates currently restricted by growing money supply and the D-mark's technical weakness since the last EMS realignment.

In New York Federal funds were trading at 6⅞ per cent with the authorities expected to add temporary reserves through customer repurchase agreements.

CURRENCY FUTURES

STERLING INDEX

	May 12	Previous
8.30 am	75.9	75.7
9.00 am	75.9	75.6
10.00 am	75.9	75.7
11.00 am	76.0	75.8
Noon	76.0	75.7
1.00 pm	76.0	75.7
2.00 pm	76.0	75.8
3.00 pm	76.0	75.8
4.00 pm	76.0	75.6

FT LONDON INTERBANK FIXING
(11.00 a.m. May 12)

Three months US dollars		Six months US dollars	
bid 6½	offer 6½	bid 6⅞	offer 6⅞

The fixing rates are the arithmetic means, rounded to the nearest one-sixteenth, of the bid and offered rates for $10m quoted by the market to five reference banks at 11 am each working day. The banks are National Westminster Bank, Bank of Tokyo, Deutsche Bank, Banque Nationale de Paris and Morgan Guaranty Trust.

EURO-CURRENCY INTEREST RATES

Long-term Eurodollars: two years 7⅞-7⅞ per cent; three years 7⅞-7⅞ per cent; four years 7⅞-8⅞ per cent; five years 8⅞-8⅞ per cent nominal. Short-term rates are call for U.S. Dollars and Japanese Yen; others, two days' notice.

LONDON MONEY RATES

Treasury Bills (sell): one-month 10⅞ per cent; three-month 9⅞ per cent. Bank Bills (sell): one-month 10⅞-10⅞ per cent; three-month 9⅞ per cent. Treasury Bills: Average tender rate at discount 9.9779 per cent. ECGD Fixed Finance Scheme IV reference date April 2 to May 6 (inclusive) 10.527 per cent. Local authority and Finance Houses seven days' notice, others seven days' fixed. Finance Houses Base Rate 11½ per cent from May 1 1986. Bank Deposit Rate for sums at seven days' notice 5⅞-6 per cent. Certificates of Tax Deposits (Series 6): Deposit £100,000 and over held under one month 10⅞ per cent; one-three month 10⅞ per cent; three-six month 10 per cent; six-nine months 9⅞ per cent; nine-12 month 9½ per cent. Under £100,000 9⅞ per cent from April 29. Deposits held under Series 5 9½ per cent. Deposits withdrawn for cash 6 per cent.

MONEY RATES

Legal Notices

IN THE MATTER OF
THE COMPANIES ACT 1985
AND
STRAWNEST LIMITED

NOTICE IS HEREBY GIVEN Pursuant to Section 588 of the Companies Act, 1985 that a Meeting of the Creditors of the above-named Company will be held at the offices of Single & Company, 35 New Broad Street, London, E.C.2, on Friday 16th May 1986 at 2.30 p.m., for the purposes mentioned in Sections 589 and 590 of the Said Act.

Dated this 2nd day of May, 1986.

By Order to the Board,
A. A. HAFIZ,
Director.

THE COMPANIES ACT 1985
NOTICE TO CREDITORS
To Send in Particulars of Debts or Claims
ATLANTTRAFIK EXPRESS SERVICE LIMITED
(In Creditors' Voluntary Liquidation

NOTICE IS HEREBY GIVEN that the Creditors of the above-named company are required on or before the 30th May 1986, to send their names and addresses, with particulars of their debts or claims to the undersigned, Neil Hunter Cooper, of Robson Rhodes, 186 City Road, London EC1V 2NU, the Liquidator of the company; and if so required by notice in writing from the said Liquidator either personally or by their Solicitors, to come in and prove their debts or claims at such time and place as shall be specified in such notice and in default thereof, they will be excluded from the benefit of any distribution made before such debts are proven.

Dated this 8th day of May 1986.
N. H. COOPER,
Liquidator.

£ WORLD VALUE OF THE POUND

The table below gives the latest available rate of exchange for the pound against various currencies on May 12, 1986. In some cases rate is nominal. Market rates are the average of buying and selling rates except where they are shown to be otherwise. In some cases market rates have been calculated from those of foreign currencies to which they are tied.

Abbreviations: (A) approximate rate, no direct quotation available; (F) free rate; (P) based on US dollar parities and going sterling-dollar rates; (T) tourist rate; (Bas) basic rate; (bg) buying rate; (Bk) bankers' rates; (cm) commercial rate; (ch) convertible rate; (fn) financial rate (exC) exchange certificate rate; (nc) non commercial rate; (nom) nominal; (o) official rate; (sg) selling rate; (c) controlled rate; (u) unified rate.

COUNTRY	CURRENCY	VALUE OF £ STERLING
Afghanistan	Afghani	99.00
Albania	Lek	10.17
Algeria	Dinar	7.58
Andorra	French Franc	10.7025
	Spanish Peseta	213.80
Angola	Kwanza	46.1405
Antigua	E. Caribbean $	4.18
Argentina	Austral	1.2977
Aruba	Florin	2.79
Australia	Australian $	2.0730
Austria	Schilling	23.61
Azores	Portugu'se Escudo	225.0
Bahamas	Ba. Dollar	1.5460
Bahrain	Dinar	0.5825
Balearic Isles	Spa Peseta	213.80
Bangladesh	Taka	45.85
Barbados	Barbados $	3.1125
Belgium	B. Franc	(cm) 68.65 (fn) 68.85
Belize	B $	3.10
Benin	C.F.A. Franc	535.13
Bermuda	Bda $	1.5460
Bhutan	Ngultrum	18.90
Bolivia	Bolivian Peso	(o) 2940250.0
Botswana	Pula	2.5856
Brazil	Cruzado	21.3450(20)
Brit. Virgin Isles	U.S. $	1.5460
Brunei	Brunei $	3.4015
Bulgaria	Lev	1.4303
Burkino Faso	C.F.A. Franc	535.13
Burma	Kyat	11.0652
Burundi	Burundi Franc	160.50
Cameroon	C.F.A. Franc	535.13
Canada	Canadian $	2.1342
Canary Islands	Spanish Peseta	213.80
Cape Verde Is	Cape V. Escudo	138.15
Cayman Islands	Cay. Is $	1.2928
Cent. Afr. Republic	C.F.A. Franc	535.13
Chad	C.F.A. Franc	535.13
Chile	Chilean Peso	291.66
China	Renminbi Yuan	4.9269
Colombia	Col. Peso	(F) 286.99
Comoro Islands	C.F.A. Franc	535.13
Congo (Brazaville)	C.F.A. Franc	535.13
Costa Rica	Colon	(U) 85.50
Cuba	Cuban Peso	1.3435
Cyprus	Cyprus £	0.7680
Czechoslovakia	Koruna	(com) 9.01 n/c 15.84 (T) 16.04
Denmark	Danish Kroner	12.4150
Djibouti	Djibouti Franc	264.00
Greenland	Danish Kroner	
Grenada	E. Caribbean $	
Guadaloupe	Local Franc	
Guam	U.S. $	
Guatemala	Quetzal	
Guinea	Franc	
Guinea-Bissau	Peso	
Guyana	Guyanese $	
Haiti	Gourde	
Honduras	Lempira	
Hong Kong	H.K. $	
Hungary	Forint	
Iceland	I. Krona	
India	Ind. Rupee	
Indonesia	Rupiah	
Iran	Rial	
Iraq	Iraqi Dinar	
Irish Republic	Irish £	
Israel	Shekel	
Italy	Lira	
Ivory Coast	C.F.A. Franc	
Jamaica	Jamaica Dollar	
Japan	Yen	
Jordan	Jordanian Dinar	
Kampuchea	Riel	
Kenya	Kenya Shilling	
Kiribati	Australian $	
Korea (Nth)	Won	
Korea (Sth)	Won	
Kuwait	Kuwaiti Dinar	
Laos	New Kip	
Lebanon	Lebanese £	
Lesotho	Maluti	
Liberia	Liberian $	
Libya	Libyan Dinar	
Liechtenstein	Swiss Franc	
Luxembourg	Lux Franc	
Macao	Pataca	
Madeira	PortugueseEscudo	
Malagasy Republic	MG Franc	
Malawi	Kwacha	
Malaysia	Ringgit	
Maldive Islands	Rufiyaa	
Mali Republic	C.F.A. Franc	
Malta	Maltese Lira	
Martinique	Local Franc	
Mauritania	Ouguiya	
Mauritius	M. Rupee	

‡ Rate is the transfer market (controlled). ‡‡ Now one official rate. (1) Essential goods. (2) Preferential rate for priority imports such as foodstuffs. (4) Preferential rate for public sector debt and essential imports. (5) Preferential rate. (6) Free rate for luxury imports, remittances of money abroad and foreign travel. (7) Parallel rate. (9) Banknote rates. (10) Rate for exports. (14) Nearly all business transactions. (15) Vietnam—new dong equals 10 old dongs. (16) Peru—1 inti equals 1,000 soles. (17) Israel—1 new shekel equals 1,000 old shekels. (18) Aruba florin—new currency introduced January 1, 1986. (19) Guinea Republic—franc, new exchange rate announced. (20) Brazil—1 cruzado equals 1,000 cruzeiros.

BRITISH FUNDS

1986 High	Low	Stock	Price £	+ or −	Int.	Red.
		"Shorts" (Lives up to Five Years)				
100	99	Treas 12pc 1986	100		11.98	
99	98	Treas 8¾pc 1984-86	99		8.53	
102	100	Exch 14pc 1986	101	+	13.73	
98	97	Exch 2½pc 1986	97		2.55	
102	100	Exch 13¼pc 1987	102	−	12.93	
100	97	Treas 10½pc Cv 87	100		10.21	
96	92	Exch 2½pc 1987	96	+	2.58	
101	97	Exch 10½pc 1987	100	−	10.42	
98	93	Funding 6½pc '85-87	98	−	6.63	
101	96	Treas 10pc 1987	100	−	9.94	
95	90	Treas 3pc 1987	95	−	3.14	
104	99	Treas 12pc 1987	103	−	11.56	
99	92	Treas 7¾pc 1985-88	98	+	7.86	
104	96	Exch 10½pc '88	102		10.22	
102	95	Treas 9½pc Cv '88	101		9.63	
92	86	Transport 3pc '78-88	92		3.24	
102	93	Treas 9½pc 88	100	−	9.42	
107	98	Treas 11½pc 1989	105		10.86	
103	93	Treas 9½pc Cnv '89	101	+	9.36	
90	82	Treas 3pc 1989	90		3.51	
105	95	Treas 10½pc 1989	103	−	10.10	
104	94	Exch 10pc 1989	102	−	9.75	
107	97	Exch 11pc 1989	105	−	10.41	
92	84	Treas 5pc 1986-89	92	−	5.41	
110	94	Exch 10½pc Cv '89	106	−	9.61	
114	103	Treas 13pc 1990	112	−	11.56	
108	97	Exch 11pc 1990	106	−	10.32	
113	101	Exch 12½pc 1990	111	−	11.20	
87	79	Treas 3pc 1990	87	+	3.43	
100	89	Treas 8¼pc 1987-90	99	−	8.32	
106	93	Treas 10pc Cv 1990	104		9.60	
83	76	Exch 2½pc 1990	83	−	2.99	
112	99	Treas 11¾pc 1991	110	−	10.63	
94	83	Funding 5¾pc 87-91	93	+	6.15	
		Five to Fifteen Years				
110	96	Exch 11pc 1991	108	−	10.17	9.07
118	103	Treas 12¾pc 1992	115	−	11.04	9.18
107	92	Treas 10pc 1992	104	−	9.59	9.03
109	94	Treas 10½pc Cv 1992	106	−	9.87	9.09
117	101	Exch 12¼pc '92	114	−	10.72	9.21
123	106	Exch 13½pc 1992	120	−	11.22	9.22
53	39	Treas 10pc 1993 (£40pd)	50	−	9.50	9.08
120	103	Treas 12½pc 1993	117	−	10.63	9.09
92	79	Funding 6pc 1993	89	−	6.71	7.93
128	109	Treas 13¾pc 1993	124	−	11.04	9.17
133	114	Treas 14½pc 1994	129	−	11.16	9.06
127	108	Exch 13½pc 1994	124	−	10.89	9.19
122	103	Exch 12½pc 1994	118	−	10.52	9.17
104	86	Treas 9pc 1994	100	−	8.93	8.91
120	101	Treas 12pc 1995	116	−		
78	68	Gas 3pc '90-95				

Over Fifteen Years

Undated

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Miscellaneous

NOTES

Unless otherwise indicated, prices and net dividends are in pence and denominations are 25p. Estimated price/earnings ratios and covers are based on latest annual reports and accounts and, where possible, are updated on half-yearly figures. P/Es are calculated on "net" distribution basis, earnings per share being computed on profit after taxation and unrelieved ACT where applicable; bracketed figures indicate 10 per cent or more difference if calculated on "nil" distribution. Covers are based on "maximum" distribution; this compares gross dividend costs to profit after taxation, excluding exceptional profits/losses but including estimated extent of offsettable ACT. Yields are based on middle prices, are gross, adjusted to ACT of 29 per cent and allow for value of declared distribution and rights.

- ● "Tap Stock"
- * Highs and Lows marked thus have been adjusted to allow for rights issues for cash
- † Interim since increased or resumed
- ‡ Interim since reduced, passed or deferred
- ‡‡ Tax-free to non-residents on application
- ♦ Figures or report awaited
- ♥ Not officially UK listed; dealings permitted under Rule 535(4)(a)
- ✧ USM; not listed on Stock Exchange and company not subjected to same degree of regulation as listed securities
- †† Dealt in under Rule 535(3)
- ¢ Price at time of suspension
- ¶ Indicated dividend after pending scrip and/or rights issue; cover relates to previous dividend or forecast
- ◆ Merger bid or reorganisation in progress
- ☆ Not comparable
- ♦ Same interim; reduced final and/or reduced earnings indicated
- § Forecast dividend; cover on earnings updated by latest interim statement
- ‡ Cover allows for conversion of shares not now ranking for dividends or ranking only for restricted dividend
- ¥ Cover does not allow for shares which may also rank for dividend at a future date. No P/E ratio usually provided
- ‖ No par value

B.Fr. Belgian Francs. Fr. French Francs. ♠♠ Yield based on assumption Treasury Bill Rate stays unchanged until maturity of stock. a Annualised dividend. b Figures based on prospectus or other offer estimate. c Cents. d Dividend rate paid or payable on part of capital; cover based on dividend on full capital. e Redemption yield. f Flat yield. g Assumed dividend and yield. h Assumed dividend and yield after scrip issue. j Payment from capital sources. k Kenya. m Interim higher than previous total. n Rights issue pending. q Earnings based on preliminary figures. s Dividend and yield exclude a special payment. t Indicated dividend: cover relates to previous dividend, P/E ratio based on latest annual earnings. u Forecast, or estimated annualised dividend rate, cover based on previous year's earnings. v Subject to local tax. x Dividend cover in excess of 100 times. y Dividend and yield based on merger terms. z Dividend and yield include a special payment: Cover does not apply to special payment. A Net dividend and yield. B Preference dividend passed or deferred. C Canadian. E Minimum tender price. F Dividend and yield based on prospectus or other official estimates for 1984-85. G Assumed dividend and yield after pending scrip and/or rights issue. H Dividend and yield based on prospectus or other official estimates for 1986. K Figures based on prospectus or official estimates for 1984. L Estimated annualised dividend, cover and p/e based on latest annual earnings. M Dividend and yield based on prospectus or other official estimates for 1985. N Dividend and yield based on prospectus or other official estimates for 1985. P Figures based on prospectus or other official estimates for 1983. Q Gross. R Forecast annualised dividend, cover and p/e based on prospectus or other official estimates. T Figures assumed. Z Dividend total to date.

Abbreviations: xd ex dividend; xc ex scrip issue; xr ex rights; xa ex all; xd ex capital distribution.

REGIONAL & IRISH STOCKS

The following is a selection of Regional and Irish stocks, the latter being quoted in Irish currency.

Albany Inv 20p	123xd		Fin 13% 97/02	£126	-1
Craig & Rose £1	£13		Arnotts	345xd	
Finlay Pkg 5p	44xd	-1	CPI Hldgs	60	+5
Holt (Jos) 25p	790		Carroll Inds	190	
IoM Stm £1	90	+5	Dublin Gas	53	
			Hall (R. & H.)	75	+4
IRISH			Heiton Hldgs	30	+1
Fund 12% 1988	£103	-1	Irish Ropes	95	
Nat 9¾% 84/89	£101	-¼	Unidare	195	

"Recent Issues" and "Rights" Page 38 (International Edition Page 36)

This service is available to every Company dealt in on Stock Exchanges throughout the United Kingdom for a fee of £875 per annum for each security.

LONDON STOCK EXCHANGE

MARKET REPORT

Account Dealing Dates

Option *First Dealings	Declarations	Last Dealings	Account Day
Apr 28	May 8	May 9	May 19
May 12	May 29	May 30	June 9
June 2	June 12	June 13	June 23

* "New-time" dealings may take place from 9.30 am two business days earlier.

Steadier trend in equity leaders but Gilts fall on US influences

For the first time in five trading sessions equities were showing signs of stabilising yesterday. Dealing conditions were extremely quiet as the new three week Account got underway, but the recent uncertainty which had characterised markets appeared to fade and was accompanied by a little selective demand for blue chip industrials.

However, the steadier tone owed more to the cessation of recent selling than to a widespread revival of investment confidence. Lacking a positive lead from Wall Street, leading shares opened slightly lower, before a gradual improvement ensued.

The half-yearly results from **BOC Group** were in line with market expectations and failed to arouse much enthusiasm, but **Glaxo**, up 28 at 953p, in response to American demand, provided one of the few noteworthy movements.

Illustrating the trend, The Financial Times Ordinary share index which recorded a loss of 4.5 at the 10 am calculation, recovered to show a gain of 2.3 a few hours later before closing 0.2 higher on the day at 1,330.5.

Secondary issues, in contrast, included numerous good features mainly in response to weekend Press tips and a revival of takeover speculation.

Government securities were again largely influenced by the US bond market which came under early selling pressure yesterday. The announcement of favourable producer price indices around mid-day failed to arrest an initial setback and losses which ranged to about ¼ point at the long end of the gilt market were extended further in the afternoon. Final falls in this area ranged to 1¼. Index-linked, however, resisted the trend, closing with gains of ¼ and occasionally more.

Still reflecting debt settlement hopes, Chinese bonds encountered further buying. The 5 per cent 1925 Boxer advanced 4 points more to £30.

Guinness Peat up

Guinness Peat returned to prominence in merchant banks, rising 7 to 95p on speculative buying fuelled by revived US bid hopes. **Brown Shipley**, however, at 620p, lost 25 of Friday's speculative rise of 45 on profit-taking; it was announced yesterday that Investment Internationale SA had acquired 0.98m shares in the company. Elsewhere, **Standard Chartered** cheapened a couple of pence to 808p ahead of today's publication of the formal offer document from **Lloyds**, 3 off at 622p.

C. E. Heath fell 21 to 612p on nervous offerings ahead of Thursday's preliminary results. Among other dull Lloyds brokers, **FWS International** dropped 27 to 233p and **Sedgwick** lost 8 to 347p.

Awaiting tomorrow's first-quarter figures, **Commercial Union** edged forward a few pence to 322p in Composites.

Dealers reported extremely quiet conditions among Breweries. **Guinness**, down to 307p earlier, rallied to settle a couple of pence dearer on balance at 312p as brokers Wood Mackenzie and Cazenove attempted to place around £100m of Convertible stock, most of which was believed to have emanated from Morgan Grenfell and associates.

Recently dull Buildings gave a steadier performance. **Blue Circle** edged up 7 to 690 xd, while **RMC** firmed 4 to 646p and **Rugby Portland Cement** improved 3 to 173p. **George Wimpey** opened lower at 176p xd, but support at the lower level prompted a recovery which left the price 4 dearer on balance at 181p xd. Elsewhere, **Newarthill** responded to revived demand in a restricted market and rose 26 to 870p xd, but **Tysons (Contractors)** fell 4 to 29p following the annual results and dividend omission. **Helical Bar** found support at 190p, up 18, and **Turriff** rose 9 to 145p.

CES wanted late

Leading Retailers, depressed of late by rights issue news from Harris Queensway and disappointing annual results from Marks and Spencer, staged a modest rally in relatively subdued trading. **Burton**, 290p, **Harris Queensway**, 236p, and **Storehouse**, 285p, all hardened around 4, while **Sears**, scheduled to reveal preliminary figures today, improved a couple of pence to 116p. **Combined English Stores** stood out, however, rising 13 to 223p following a flurry of speculative demand towards the day's close. Elsewhere, **NSS Newsagents** touched 172p before settling a net 4 to the good at 168p; the first-half figures are expected tomorrow. Favourable Press comment lifted **Asprey** 20 to 610p, and **Ladies Pride** 2 to 30p, while fresh speculative support saw **Alexon** 5 dearer at 139p and **Bolton Textile** 3 up at 25p.

Thorn EMI, nervously sold last Friday on a Press suggestion that the company is on the verge of closing down its troubled Inmos subsidiary, rallied 5 to 472p. **STC** reflected revived bid hopes with a gain of 4 at 144p, while **Plessey** edged forward a couple of pence at 218p as did **Racal** at 220p. Among secondary Electricals, Press comment on the company's French expansion plans helped **Amstrad** jump 26 to 519p, while Amstrad's denial of any future plan to acquire **BSR** left the latter unaltered at the close at 130p, after 135p. **FKI** put on 3 to 73½p following an investment recommendation, while speculative gains of 6 and 10 were seen in **Dubilier**, 168p, and MK, 390p. **Microgen** added 30 in a thin market to 365p. **Applied Holographics** closed 10 to the good at 270p following the announcement that Globe Investments holds a stake of over ¾ per cent in the company.

A few firm features emerged among secondary Engineers. **F. S. Ratcliffe** were outstanding for a speculative rise of 30 to 173p, while demand of a similar nature left **Aurora** 7 higher at 79p. On the Siebe bid situation, **APV** advanced 15 to 567p and Press comment helped **ML Holdings** move forward 10 to 385p. **D. F. Bevan** were suspended at 38p prior to news that the company had received a bid approach.

Leading Foods traded quietly, but usually managed modest progress. **J. Sainsbury** edged up 4 to 376p and **Tesco** hardened a penny to 363p. **Rowntree Mackintosh**, a firm market on Friday, added 3 more to 505p xd, while **Cadbury Schweppes** added a penny to 174p. Late support left **Unigate** a couple of pence better at 257p, but **S. and W. Berisford** remained overshadowed by fears that the bids from Hillsdown Holdings and Tate and Lyle may be referred to the Monopolies Commission and shed 5 more to 210p. **Bernard Matthews** lost 15 to 785p awaiting news from the annual meeting. Dealings in **Whitworths** resumed at 45p with a close of 42p — against the suspension price of 63p — following the agreed offer of 45p per share cash from Booker McConnell, 4½ easier at 313p xd.

Duport up on bid

Among the numerous features in miscellaneous industrials, **Duport** closed 11 higher at 136p in response to the agreed bid from Williams Holdings. **Kelsey Industries** leapt 80 to 325p on an investment recommendation and speculative buying on bid hopes helped **Avon Rubber** rise 11 to 303p. **Pritchard Services** improve 6 to 85p and **Widney** put on 3 to 43p. **Blue Arrow**, believed to be the bidders for Hogget Bowers, added 8 at 381p, while **Macarthys Pharmaceuticals** jumped 27 to 387p. **Trafalgar House** reflected Press comment with a gain of 9 at 298p xd and improvements of 10 and 20 respectively were recorded in **Pearson**, 465p, and **Parkfield**, 510p. **Staffordshire Potteries**, on the other hand, fell 11 after-hours to 126p on the announcement that the contested bid from Coloroll had lapsed; the latter ended 7 down at 203p. Rumours that Mr Robert Holmes à Court had sold his stake in the company left **Morgan Crucible** 8 off at 302p, after 300p, while adverse comment clipped 2½ from **European Ferries**, at 133p xd. Among the leaders, **Glaxo** stood out with a rise of 28 to 953p on revived US support and **Unilever** ended ¼ dearer at £15⅞ following the first-quarter figures. **BOC** moved between extremes of 336p and 328p following the interim figures before closing a few pence off on balance at 332p. **Bank Organisation**, a strong market last week on rumours of a bid from Bond Corporation, fell 12 to 577p after profit-taking.

The Leisure sector displayed several bright features. **WSL** attracted fresh support on expansion hopes and rose 5 to 181p, while **Radio City (Sound of Merseyside)**, boosted by Press comment, gained 6 to 43p. **Leisuretime International** touched 113p on speculative interest before closing a net 3 up at 106p, but profit-taking clipped 4 from **Aspinall Holdings** at 165p. **SelecTV** firmed 2 to 21p.

Saatchi and Saatchi hardened a few pence to 750p following confirmation of the purchase of Ted Bates, the privately-owned US advertising agency. The news stimulated fresh support of other related concerns, notably **Wight Collins Rutherford Scott**, finally 27 higher at 490p. **Brunning** put on 7 more to 165p with the Restricted Voting shares a similar amount up at 162p.

Interest in leading Properties was at a low ebb, but **MEPC** attracted occasional buying interest and closed 5 dearer at 340p. Secondary issues presented a selectively firm appearance. **Five Oaks** gained 7½ to 72p on British Car Auction bid hopes, while **St Modwen** found support at 18½p, up 3. Buyers came in for **Berkeley and Hay Hill**, up 1½ at 13p, and **Clarke Nickolls**, 9 higher at 140p xd, the latter in a restricted market. **Egerton**, formerly Caparo Properties, added 2 more to 87p, while **London and Provincial Shop Centres** moved up 11 to 251p.

Secondary Textiles responded to revived demand. **Debron** advanced 5 to 55p in late trading, while fresh support was noted for **Strond Riley Drummond**, 4 up at 105p, and **SEET**, 5 to the good at 117p.

Britannia Arrow dipped 8 to 120p in reaction to the proposed £39.4m rights issue to finance the purchase of fund management group MIM from Aetna Life of the US.

Oil majors firm

Th Oil sector provided two outstanding performers in **BP** and **Shell** which rose sharply ahead of their respective first-quarter results scheduled for Thursday. Additionally boosted by Press comment, BP advanced 17 to 580p and Shell moved up 22 to 775p. **LASMO** added 10 at 130p, while gains of a few pence were common to **Enterprise**, 123p and **Britoil**, 185p. **Ultramar**, due to announce first-quarter figures tomorrow, put on 6 at 194p. Takeover speculation encouraged renewed interest in **IC Gas**, 5 firmer at 380p, while **Tricentrol** touched 66p before settling 2 better at 62p.

Secondary oils were in much better shape. **Triton Europe** jumped 13 to 136p and **Industrial Scottish Energy** added 3 at 65p, both reflecting Paris Basin exploration hopes, while bid rumours prompted renewed interest in **Hunting Petroleum** which rose 6 more to 138p.

A generally quiet session in mining markets was highlighted by the 130p a share bid for **Hampton Areas** from the Alan Bond-controlled Metals Exploration. Hampton Areas, a strong market on Friday, moved up 7 to 135p on vague hopes of a possible counter-bid or slight increase in the Metals Exploration terms; the latter announced yesterday that it speaks for around 12.3 per cent of Hampton Areas issued capital. **Metals Exploration** were unchanged at 15p.

Hefty falls in overnight Sydney and Melbourne markets for the third consecutive trading day prompted widespread losses throughout Australians.

Traded Options

The debut of **Allied-Lyons** on the London Traded Options market was overshadowed by another computer problem that held up the start of business until just after 10.00 am. Dealers reported a relatively slow turnover thereafter, as subdued conditions in the underlying securities hindered demand for Options. Total contracts transacted amounted to 10,666 — the lowest since January 3.

FINANCIAL TIMES STOCK INDICES

	May 12	May 9	May 8	May 7	May 6	May 2	year ago
Government Secs	91.60	92.26	92.55	92.32	93.05	92.79	80.61
Fixed Interest	96.88	97.24	96.83	96.82	96.81	96.78	85.62
Ordinary ♦	1330.5	1330.3	1336.9	1345.7	1368.5	1382.9	1016.9
Gold Mines	258.1	258.4	256.6	254.5	256.4	252.8	497.1
Ord. Div. Yield	4.07	4.07	4.05	4.01	3.95	3.91	4.50
Earnings, Yld. % (full)	10.19	10.20	10.09	10.03	9.87	9.78	11.28
P/E Ratio (net) (*)	11.98	11.97	12.11	12.19	12.37	12.49	10.80
Total bargains (Est.)	28,603	26,811	26,818	25,836	23,974	26,186	27,877
Equity turnover £m.	—	675.43	598.74	712.90	573.96	566.34	439.70
Equity bargains	—	30,789	26,635	25,203	25,879	23,800	25,923
Shares traded (m)	—	312.2	275.5	365.8	240.1	249.7	288.8

♦ Opening —. 10 am 1329.5. 11 am 1330.5. Noon 1332.6. 1 pm 1332.6. 2 pm 1331.7. 3 pm 1329.5. 4 pm 1329.2. Day's High 1330.5. Day's low 1325.8. Basis 100 Government Securities 15/10/26. Fixed interest 1928. Ordinary 1/7/35. Gold Mines 12/9/55. Activity 1974. Latest Index 01-246 8026. * Nil = 11.57.

HIGHS AND LOWS / S.E. ACTIVITY

—	1986 High	1986 Low	Since Compilat'n High	Since Compilat'n Low
Govt. Secs.	94.51 (18/4)	80.39 (20/1)	127.4 (9/1/35)	49.18 (3/1/75)
Fixed Int.	97.51 (22/4)	86.56 (25/1)	150.4 (28/11/47)	50.53 (3/1/75)
Ordinary	1425.9 (3/4)	1094.3 (14/1)	1425.9 (3/4/86)	49.4 (26/6/40)
Gold Mines	357.0 (27/1)	244.2 (30/4)	734.7 (15/2/83)	43.5 (26/10/71)

INDICES	May 9	May 8
Daily Gilt Edged Bargains	135.9	129.6
Equities Bargains	199.5	172.6
Value	1365.2	1210.2
5 day Average Gilt Edged Bargains	131.9	129.9
Equities Bargains	171.4	165.0
Value	1264.3	1254.2

NEW HIGHS AND LOWS FOR 1986

NEW HIGHS (82)

BRITISH FUNDS (10) Treas. 2pc IL '90, 2pc IL '96, 2½pc IL '01, 2½pc IL '03, 2pc IL '06, 2½pc IL '09, 2½pc IL '11, 2½pc IL '13, 2½pc IL '16, 2½pc IL '20. FOREIGN BONDS (2) Chinese 4½pc 1898, Chinese 5pc 1912. AMERICANS (1) Sperry Corp. CANADIANS (2) Brascan, Hawker Siddeley Canada. BANKS (1) English Trust. BUILDINGS (2) [illegible]. ELECTRICALS (2) [illegible]. ENGINEERING (1) [illegible]. FOODS (1) [illegible]. INDUSTRIALS [illegible]. LEISURE (6) [illegible]. PAPER (5) [illegible]. PROPERTY (7) [illegible]. TEXTILES (4) [illegible]. TRUSTS (10) [illegible]. OILS (3) [illegible]. OVERSEAS TRADERS (1) Nesco Invests.

NEW LOWS (49)

BRITISH FUNDS (1) Treas. 8pc 2002-06. AMERICANS (1) Transamerica. BUILDINGS (2) [illegible]. CHEMICALS (1) [illegible]. STORES (6) [illegible]. ELECTRICALS (2) [illegible]. ENGINEERING (6) [illegible]. INDUSTRIALS (8) [illegible]. INSURANCE (5) [illegible]. PAPER (1) [illegible]. SHIPPING (1) [illegible]. TRUSTS (5) [illegible]. OVERSEAS TRADERS (1) [illegible]. MINES (11) [illegible].

RISES AND FALLS

	Rises	Falls	Same
British Funds	16	83	12
Corpns., Dom. and Foreign Bonds	9	20	41
Industrials	377	242	894
Financial & Props.	139	117	321
Oils	22	26	48
Plantations	0	2	3
Mines	31	37	112
Others	36	22	76
Totals	630	636	1,407

TRADITIONAL OPTIONS

First Dealings	Last Dealings	Last Declaration	For Settlement
May 6	May 16	Aug 7	Aug 18
May 19	June 6	Aug 28	Sept 8
June 9	June 20	Sept 11	Sept 22

For rate indications see end of Unit Trust Service

Money was given for the call of Acorn Computer, Hawley, Polly Peck, Pritchard Services, Martin Ford, Richardson Westgarth, Sketchley, WSL, Fobel International, Raine Industries, Tricentrol, Barratt Developments, Ryan International, [illegible], Ladies Pride, BP, [illegible], Sound Diffusion, Peek Holdings, STC, Sears, Associated British Foods, Pentland and Racal. No puts were reported, but a double was taken out in Polly Peck.

RECENT ISSUES

EQUITIES

[illegible]

FIXED INTEREST STOCKS

[illegible]

RIGHTS OFFERS

[illegible]

Renunciation date usually last day for dealing free of stamp duty. [illegible]

FT-ACTUARIES SHARE INDICES

These indices are the joint compilation of the Financial Times, the Institute of Actuaries and the Faculty of Actuaries

Figures in parentheses show number of stocks per section

	EQUITY GROUPS & SUB-SECTIONS	Mon May 12 1986 Index No.	Day's Change %	Est. Earnings Yield% (Max.)	Gross Div. Yield% (ACT at 29%)	Est. P/E Ratio (Net)	xd adj. 1986 to date	Fri May 9 Index No.	Thur May 8 Index No.	Wed May 7 Index No.	Year ago (approx.) Index No.
1	CAPITAL GOODS (214)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
2	Building Materials (26)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
3	Contracting, Construction (29)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
4	Electricals (12)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
5	Electronics (38)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
6	Mechanical Engineering (63)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
8	Metals and Metal Forming (7)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
9	Motors (17)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
10	Other Industrial Materials (22)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
21	CONSUMER GROUP (183)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
22	Brewers and Distillers (22)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
25	Food Manufacturing (22)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
26	Food Retailing (15)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
27	Health and Household Products (10)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
29	Leisure (25)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
31	Publishing & Printing (14)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
32	Packaging and Paper (14)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
34	Stores (42)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
35	Textiles (17)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
36	Tobaccos (2)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
41	OTHER GROUPS (86)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
42	Chemicals (19)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
44	Office Equipment (4)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
45	Shipping and Transport (12)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
47	Telephone Networks (2)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
48	Miscellaneous (49)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
49	INDUSTRIAL GROUP (483)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
51	Oil & Gas (17)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
59	500 SHARE INDEX (500)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
61	FINANCIAL GROUP (116)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
62	Banks (7)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
65	Insurance (Life) (9)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
66	Insurance (Composite) (7)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
67	Insurance (Brokers) (8)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
68	Merchant Banks (11)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
69	Property (50)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
70	Other Financial (24)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
71	Investment Trusts (103)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
81	Mining Finance (3)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
91	Overseas Traders (14)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
99	ALL-SHARE INDEX (736)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
	FT-SE 100 SHARE INDEX ♦	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

FIXED INTEREST

[illegible]

♦Opening index 1601.6; 10 am 1600.4; 11 am 1603.2; Noon 1605.4; 1 pm 1605.3; 2 pm 1604.4; 3 pm 1602.4; 3.30 pm 1602.6; 4 pm 1602.4

† Flat yield. Highs and lows record, base dates, values and constituent changes are published in Saturday issues. A new list of constituents is available from the Publishers, the Financial Times, Bracken House, Cannon Street, London EC4P 4BY, price 15p, by post 28p.

YESTERDAY'S ACTIVE STOCKS

Above average activity was noted in the following stocks yesterday.

Stock	Closing price pence	Day's change
Amstrad	[illegible]	+26
BOC	332	−3
BP	580	+17
BPCC	283xd	+7
Charterhall	19	+4
Heath (C.E.)	612	−21
Hestair (nil-pd.)	22pm	+4
Microgen	365	+30
Norcros	[illegible]	[illegible]
Shell Transport	775	+22
Sound Diffusion	36	+4
Telephone Rentals	[illegible]	[illegible]
Ultramar	194	+6

FRIDAY'S ACTIVE STOCKS

Based on bargains recorded in Stock Exchange Official List.

Stock	No. of changes	Fri. close	Day's change
Aspinall	[illegible]	[illegible]	[illegible]
Beecham	[illegible]	[illegible]	[illegible]
Amstrad	[illegible]	[illegible]	[illegible]
Duport	[illegible]	[illegible]	[illegible]
Barratt Devs.	[illegible]	[illegible]	[illegible]
Brit. Aerospace	[illegible]	[illegible]	[illegible]
Lucas Indusis.	[illegible]	[illegible]	[illegible]
Abaco Invests.	[illegible]	[illegible]	[illegible]
Good Relations	[illegible]	[illegible]	[illegible]
Allied-Lyons	[illegible]	[illegible]	[illegible]
Rank Organ.	[illegible]	[illegible]	[illegible]
Sears	[illegible]	[illegible]	[illegible]

EUROPEAN OPTIONS EXCHANGE

[illegible]

TOTAL VOLUME IN CONTRACTS: 45,585

A=Ask B=Bid C=Call P=Put

LONDON TRADED OPTIONS

[illegible]

May 12 Total contracts 10,666 Calls 7,142 Puts 3,524 *Underlying security price.

WORLD STOCK MARKETS

AUSTRIA

[illegible]

BELGIUM/LUXEMBOURG

[illegible]

DENMARK

[illegible]

FRANCE

[illegible]

GERMANY

[illegible]

ITALY

[illegible]

NETHERLANDS

[illegible]

NORWAY

[illegible]

SPAIN

[illegible]

SWEDEN

[illegible]

SWITZERLAND

[illegible]

AUSTRALIA

[illegible]

AUSTRALIA (continued)

[illegible]

HONG KONG

[illegible]

JAPAN

[illegible]

JAPAN (continued)

[illegible]

SINGAPORE

[illegible]

SOUTH AFRICA

[illegible]

NOTES — Prices on this page are as quoted on the individual exchanges and are last traded prices. § Dealings suspended. xd Ex dividend. xc Ex scrip issue. xr Ex rights. xa Ex all. * Price in Schillings.

OVER-THE-COUNTER Nasdaq national market, 2.30pm prices

Continued from Page 39

[illegible]

CANADA

TORONTO

Prices at 2.30pm May 12

[illegible]

F—No voting rights or restricted voting rights.

Indices

NEW YORK—DOW JONES

[illegible]

	May 2	April 25	April 18	Year Ago (Approx)
Ind Div Yield %	3.87	3.55	3.54	4.9

STANDARD AND POORS

	May 12	May 9	May 8	May 7	May 6	May 5	1986 High	1986 Low	Since Compilation High	Since Compilation Low
Industrials	266.6*	266.01	265.90	263.60	264.78	265.18	271.68 (21/4)	224.88 (22/1)	271.68 (21/4/86)	3.62 (30/6/32)
Composite	238.41*	237.85	237.96	238.88	237.24	237.73	244.74 (21/4)	203.49 (22/1)	244.74 (21/4/86)	4.40 (1/6/32)

	May 2	April 23	April 16	Year Ago (Approx)
Ind div yield %	3.86	2.98	2.99	3.93
Ind. P/E Ratio	16.63	17.22	17.28	11.20
Long Gov Bond Yield	7.54	7.18	7.18	11.33

N.Y.S.E. ALL COMMON

May 12	May 9	May 8	May 7	1986 High	1986 Low
137.4*	137.12	136.75	136.11	141.27 (21/5/86)	117.75 (22/1)

RISES AND FALLS

	May 9	May 7	May 6
Issues traded	1,989	1,978	1,973
Rises	840	557	788
Falls	713	1,006	726
Unchanged	436	415	456

NYSE-Consolidated 1500 Actives

	Stocks Traded	3.00p.m. Price	Change on Day		Stocks Traded	3.00p.m. Price	Change on Day
Oak Ind	7,668,900	2	+ 1/8	US Home	1,582,400	8½	+ ½
RCA	3,128,400	65½	unch	ATT	1,538,200	24⅝	− ½
Mobil	2,187,800	31	+ ⅛	Inexco Oil	1,413,700	4⅞	+ 1⅛
Massey-Fer	1,985,300	2⅝	+ ⅛	Inco	1,254,200	13⅛	− ⅜
Sperry Cp	1,698,700	73⅛	− ⅜	So West P-S	1,103,300	29⅞	unch

Advances 655 Declines 874

TORONTO

	May 12	May 9	May 8	May 7	1986 High	1986 Low
Metals & Minls	2,068.5*	2,064.7	2,064.1	2,080.7	2,442.85 (21/3/86)	2,067.1 (2/1)
Composite	3,073.8*	3,066.1	3,064.0	3,053.3	3,129.11 (18/4/86)	2,754.8 (17/2)
MONTREAL Portfolio	1,563.54*	1,561.1	1,564.76	1,554.28	1,623.33 (16/4/86)	1,386.6 (22/1)

* Indicates pre-close figure

	May 12	May 9	May 8	May 7	1986 High	1986 Low
AUSTRALIA						
All Ord. (1/1/80)	1219.5	1252.1	1242.6	1247.0	1247.0 (7/5)	1010.8 (2/1)
Metals & Minls. (1/1/80)	495.4	503.5	510.9	512.5	602.0 (24/3)	492.5 (2/1)
AUSTRIA						
Credit BK Aktien (2/1/62)	125.91	126.74	(c)	128.98	130.69 (23/4)	110.12 (5/3)
BELGIAN						
Brussels SE (1/1/80)	3696.58	(c)	(c)	3669.0	3700.16 (24/4)	2766.91 (15/1)
DENMARK						
Copenhagen SE (3/1/83)	(n)	236.88	(c)	235.36	250.70 (18/4)	214.57 (21/1)
FRANCE						
CAC General (31/12/82)	410.6	407.50	(c)	403.60	410.6 (12/5)	267.8 (2/1)
Ind Tendance (31/12/85)	154.5	153.50	(c)	152.50	154.5 (12/5)	101.6 (2/1)
GERMANY						
FAZ Aktien (31/12/58)	652.19	676.55	(c)	691.45	755.88 (17/4)	618.34 (27/2)
Commerzbank (1/12/53)	1963.2	2049.3	(c)	2098.9	2278.8 (17/4)	1853.6 (27/2)
HONG KONG						
Hang Seng Bank (31/7/64)	1832.50	1852.21	1864.21	1865.65	1865.65 (7/5)	1559.94 (19/3)
ITALY						
Banca Comm Ital. (1972)	819.47	824.98	815.57	804.94	824.98 (9/5)	454.57 (24/1)
JAPAN**						
Nikkei (16/5/49)	16106.2	16194.98	16078.24	15953.85	16194.98 (9/5)	12881.5 (21/1)
Tokyo SE New (4/1/68)	1274.27	1280.85	1266.10	1256.40	1280.85 (9/5)	1025.85 (21/1)
NETHERLANDS						
ANP.CBS General (1970)	260.7	262.7	(c)	264.6	273.6 (17/4)	240.4 (3/5)
ANP.CBS Indust (1970)	249.1	252.4	(c)	254.1	259.7 (17/4)	234.0 (3/3)
NORWAY						
Oslo SE (4/1/83)	352.25	335.93	(c)	338.47	402.91 (16/1)	333.93 (9/5)
SINGAPORE						
Straits Times (30/12/66)	590.42	584.41	584.82	582.89	644.89 (8/1)	563.34 (28/4)
SOUTH AFRICA						
JSE Gold (28/9/78)	—	1190.2	(c)	1185.0	1307.9 (27/1)	1109.1 (21/4)
JSE Indust (28/9/78)	—	1109.1	(c)	1116.2	1205.1 (20/3)	1069.3 (2/1)
SPAIN						
Madrid SE (30/12/85)	194.77	190.96	185.82	184.16	194.77 (12/5)	100.83 (3/1)
SWEDEN						
Jacobson & P (31/12/56)	2245.64	2247.85	(c)	2256.50	2372.85 (22/4)	1729.57 (29/1)
SWITZERLAND						
Swiss BankCpn (31/12/58)	584.6	590.7	(c)	588.90	625.5 (8/1)	554.7 (28/2)
WORLD						
M.S. Capital Intl. (1/1/70)	—	322.0	320.7	317.8	322.2 (21/4)	248.8 (23/1)

** Saturday May 10: Japan Nikkei (c). TSE (c).

Base value of all indices are 100 except Brussels SE—1,000, JSE Gold—255.7, JSE Industrial—264.3, and Australia, All Ordinary and Metals—500. NYSE All Common—50; Standard and Poors—10; and Toronto Composite and Metals—1,000. Toronto indices based 1975 and Montreal Portfolio 4/1/83. † Excluding bonds. ‡ 400 Industrials plus 40 Utilities, 40 Financials and 20 Transports. c Closed. u Unavailable.

NYSE COMPOSITE PRICES

Continued from Page 39

12 Month High	12 Month Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
29	17	vjWPll pfB				z50	23¼	23¼	23¼	−¼
23	13¼	vjWhPrpf				z20	21¼	21¼	21¼	−¾
76½	42½	Whirlpl 2		2.7	14	739	75	74¼	74¾	+⅛
34⅞	19⅜	Whitehl			15	154	30	29	29½	+1
27⅞	17¼	Whittak .60		2.3	24	832	25⅞	25½	25¾	+⅛
16	8	Wilfred .12		.8	16	42	15¾	15⅜	15⅜	−¼
18½	7⅞	WillcxG.10		.7	6	141	15¼	14⅞	15	−½
33½	21¾	Williaml 40		5.7	50	696	24⅝	24¼	24⅝	+⅛
12¼	3	WilmEl			42	85	9⅝	9¼	9¼	−⅜
7⅜	4	WilshrO10b		1.5	28	161	6⅞	6⅛	6¾	+⅝
42	32⅛	WinDix 1.74		4.7	14	138	38½	37⅜	37⅜	−⅜
20¾	8½	Winnbg .20		1.3	28	1025	16¾	15⅜	15⅜	−1⅜

12 Month High	12 Month Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
103	76	WisE pf8.90		8.9		z30	[illegible]	[illegible]	[illegible]	[illegible]
100¾	66	WisE pf7.75		7.8		z50	[illegible]	[illegible]	[illegible]	[illegible]
27⅜	23¼	WisG pf2.55		9.3		1	[illegible]	[illegible]	[illegible]	[illegible]
49¾	28⅛	WiscPL2.84		6.2	11	48	[illegible]	[illegible]	[illegible]	[illegible]
49½	34⅞	WiscPS2.86		6.1	11	20	[illegible]	[illegible]	[illegible]	[illegible]
58⅜	33	Witco 1.48		2.9	13	106	[illegible]	[illegible]	[illegible]	[illegible]
14	9⅞	WolvrW.24		2.1	23	68	[illegible]	[illegible]	[illegible]	[illegible]
81½	43⅜	Wolwth 2		2.5	14	439	[illegible]	[illegible]	[illegible]	[illegible]
114¾	62⅞	Wolw pf2.20		2.0		7	[illegible]	[illegible]	[illegible]	[illegible]
5⅜	3	WrldAr				36	[illegible]	[illegible]	[illegible]	[illegible]
45⅞	20¼	Wrigly s .96		2.3	20	237	[illegible]	[illegible]	[illegible]	[illegible]

12 Month High	12 Month Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
17½	10⅜	WyleLb .32		2.0	78	6	15⅝	15½	15⅝	+⅜
21¾	15	Wynns .60		2.9		29	20⅞	20⅝	20¾	−¼

X Y Z

[illegible]

LONDON

Chief price changes (in pence unless otherwise indicated)

RISES

Amstrad	519	+26
Aurora	79	+ 7
Avon Rubber	303	+11
BP	580	+17
Charterhall	19	+ 4
Comb. Eng. Stores	223	+13
Debron Invs.	55	+ 5
Delyn Pack	113	+ 7
Duport	136	+11
Five Oaks Invs.	72	+ 7½
Foster (John)	99	+ 7
Glaxo	953	+28
Guinn Peat	95	+ 7
Hampton Areas	135	+ 7
Helical Bar	190	+18
Hunting Petrol	138	+ 6
Kelsey Inds	325	+80
Olives Paper Mill	42	+ 7
Ratcliffe (F.S.)	173	+30
St. Medwen Props.	18½	+ 3
Shell Transport	775	+22
WSL	181	+ 5
Wight Collins RS	490	+27

FALLS

Tr 8% 2009	£20⅝	− 1⅛
Britannia Arrow	120	− 8
Brown Shipley	620	−25
Heath (O. E.)	612	−21
Morgan Crucible	302	− 8
Staffs. Potteries	126	−11
Tysons (Contra.)	29	− 4

Prices at 3pm, May 12

NEW YORK STOCK EXCHANGE COMPOSITE PRICES

Continued on Page 39

هكذا في الاصل

NYSE COMPOSITE PRICES

Continued from Page 38

12 Month High	Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
$14\frac{3}{4}$	$7\frac{1}{4}$	WnU pfE				49	$11\frac{1}{8}$	11	11	$-\frac{1}{8}$
$43\frac{5}{8}$	$28\frac{1}{2}$	WUTl pf				21	42	42	42	
$17\frac{1}{2}$	$8\frac{5}{8}$	WUTl pfA				65	$16\frac{7}{8}$	$16\frac{7}{8}$	$16\frac{7}{8}$	$-\frac{1}{8}$
$57\frac{3}{4}$	25	WstgE	1.40	2.6	15	1697	$54\frac{5}{8}$	$54\frac{1}{8}$	$54\frac{3}{8}$	
58	$34\frac{7}{8}$	Westvc	1.32	2.8	13	159	48	$47\frac{1}{8}$	$47\frac{1}{2}$	$+\frac{1}{2}$
$40\frac{3}{4}$	$24\frac{3}{4}$	Weyerhl	.30	3.7	25	1245	$35\frac{1}{8}$	$34\frac{7}{8}$	35	$-\frac{1}{8}$
$51\frac{3}{4}$	$37\frac{7}{8}$	Weyr pf	2.80	6.0		22	$47\frac{3}{8}$	47	47	$-\frac{3}{8}$
$58\frac{5}{8}$	$45\frac{3}{4}$	Weyr pr	4.50	8.8		88	$51\frac{1}{4}$	$50\frac{7}{8}$	$51\frac{1}{4}$	$+\frac{1}{4}$
$13\frac{5}{8}$	$6\frac{7}{8}$	vjWhPit				9	$10\frac{7}{8}$	$10\frac{5}{8}$	$10\frac{5}{8}$	

Continued on Page 37

Sales figures are unofficial. Yearly highs and lows reflect the previous 52 weeks plus the current week, but not the latest trading day. Where a split or stock dividend amounting to 25 per cent or more has been paid, the year's high-low range and dividend are shown for the new stock only. Unless otherwise noted, rates of dividends are annual disbursements based on the latest declaration.

a-dividend also extra(s). b-annual rate of dividend plus stock dividend. c-liquidating dividend. cld-called. d-new yearly low. e-dividend declared or paid in preceding 12 months. g-dividend in Canadian funds, subject to 15% non-residence tax. i-dividend declared after split-up or stock dividend. j-dividend paid this year, omitted, deferred, or no action taken at latest dividend meeting. k-dividend declared or paid this year, an accumulative issue with dividends in arrears. n-new issue in the past 52 weeks. The high-low range begins with the start of trading. nd-next day delivery. P/E-price-earnings ratio. r-dividend declared or paid in preceding 12 months, plus stock dividend. s-stock split. Dividends begins with date of split. sls-sales. t-dividend paid in stock in preceding 12 months, estimated cash value on ex-dividend or ex-distribution date. u-new yearly high. v-trading halted. vi-in bankruptcy or receivership or being reorganised under the Bankruptcy Act, or securities assumed by such companies. wd-distributed. wi-when issued. ww-with warrants. x-ex-dividend or ex-rights. xdis-ex-distribution. xw-without warrants. y-ex-dividend and sales in full. yld-yield. z-sales in full.

AMEX COMPOSITE PRICES

Prices at 3pm, May 12

OVER-THE-COUNTER

Nasdaq national market, 2.30pm prices

Continued on Page 37

FINANCIAL TIMES
WORLD STOCK MARKETS

WALL STREET

Twin-sided conspiracy subdues

A WEAK DOLLAR and widespread falls in federal bonds conspired to keep Wall Street subdued yesterday, *writes Terry Byland in New York.*

Despite firmness in oil and technology stocks, the broader range of the market could make little headway. Turnover was below recent levels, and takeover stocks played a less active role.

At 3pm the Dow Jones industrial average was down 0.12 at 1,789.31.

In addition to the latest wave of uncertainty hanging over the dollar, investors were restrained by the implications of the Senate tax bill, which would lean more heavily on US business corporations.

Analysts remained uncertain about stock market prospects, pointing out that the past fortnight had been marked by an absence of significant federal data on the economy and by the wind-up to the Treasury's record $27bn refunding programme.

Yesterday's losses of a full point in federal bonds, as last week's Treasury auctioned stocks were absorbed, was no great surprise for Wall Street. But, more significantly, this week brings a flood of federal data on industrial production, producer prices and housing starts.

In the stock market the bigger oil company issues moved up smartly on reports that they are upgradings first-quarter profit figures after the SEC supported an early write-down of reserves. Exxon jumped $1¼ to $59⅞, Chevron $¾ to $41¼, Atlantic Richfield $⅝ to $57¾ and Mobil $½ to $30⅞ the last in heavy turnover.

IBM rebounded $1½ to $151¼ as last week's selling faded – although turnover was moderate. Digital Equipment, at $90⅝, recouped $1⅝ of its recent fall.

But attention remained focused on the Burroughs-Sperry bid proposal, with Wall Street no longer so sure that Sperry will prove a soft target. At $73 Sperry eased $½ but signalled disbelief in Burrough's active tender offer to buy Sperry stock at $70.

Sperry's lack of response to Burroughs has fuelled Wall Street's belief that it will fight for higher terms, and the arbitrageurs bought Sperry stock heavily again yesterday. One suggestion is that Sperry may defend itself by selling off its valuable defence industry divisions.

The possibility that its bid will turn into a hard, and expensive, battle sent Burroughs down $1⅛ to $60¾. The shares held firm last week, when Wall Street was applauding Burrough's acumen in pitching its bid, apparently on target.

The Detroit car issues looked irregular following review in the investment press of the sales outlook. Ford dipped $1 to $78½ in thin trading. At $78⅛ General Motors added $¼ as it tested the water in the financial services business with plans to offer mortgage facilities to its car loan customers. Chrysler edged up $⅛ to $38¾.

The rally in oil prices overlaid the airline sector, taking United down $⅞ to $59 and American $⅛ to $54⅝. Pan Am firmed $⅛ to $6¾ on review of the company's strong cash position in the wake of the disposal of the Pacific routes.

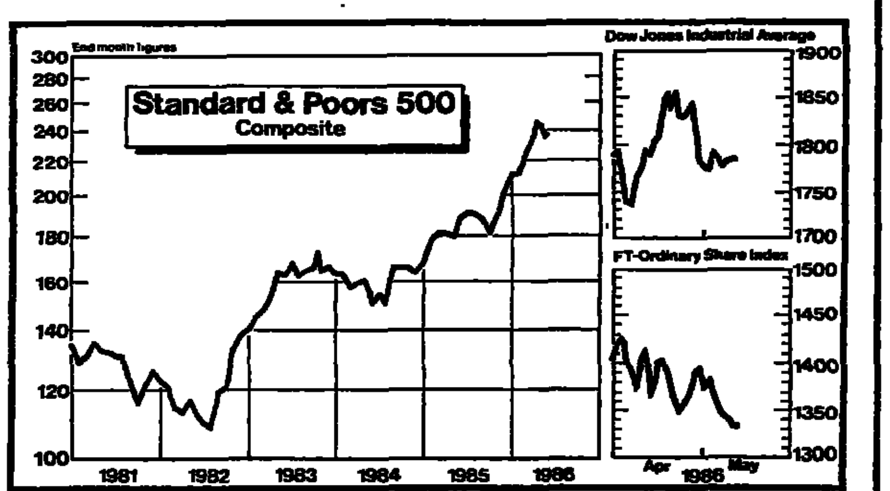
Rumours of renewed strains in the Texas banking sector failed to unsettle the New York money centre stocks. At $46⅛ Bankers Trust added $⅛, Chase Manhattan was $¼ up at $42¾ and Citicorp $1 higher at $47⅞. Once again, there was demand for American Express, which jumped $1⅞ to $59⅞.

Features elsewhere included Saatchi & Saatchi, $⅞ off at $36½ after confirmation of its $450m purchase of Ted Bates Worldwide, which makes Saatchi the world's largest advertising agency.

On the American Stock Exchange, the class B voting stock of Resorts International was halted after gaining $8½ to $145½ on renewed takeover speculation. A weak feature was Carrington Laboratories, down $4¼ at $24 after bearish reports in a financial weekly.

Bond prices rallied from their initial falls to show losses of about one eighth of a point at midsession. Short-term rates edged higher despite a low federal funds rate of 6⅞ per cent.

KEY MARKET MONITORS



STOCK MARKET INDICES			
NEW YORK	May 9	Previous	Year ago
DJ Industrials	1,789.31*	1,789.43	1,274.18
DJ Transport	785.21*	788.03	617.03
DJ Utilities	181.93*	182.91	159.73
S&P Composite	237.53*	237.85	184.28
LONDON			
FT Ord	1,330.5	1,330.3	1,016.9
FT-SE 100	1,603.8	1,601.6	1,306.3
FT-A All-share	789.37	788.3	639.84
FT-A 500	864.59	862.08	700.66
FT Gold mines	258.1	258.4	497.1
FT-A Long gilt	9.11	9.03	10.82
TOKYO			
Nikkei	16,105.23	16,194.98	12,527.30
Tokyo SE	1,274.27	1,280.85	979.49
AUSTRALIA			
All Ord.	1,218.3	1,232.1	884.3
Metals & Mins.	495.4	503.5	563.5
AUSTRIA			
Credit Aktien	123.91	128.74	95.38
BELGIUM			
Belgian SE	3,698.8	3,669.0	2,220.46
CANADA			
Toronto			
Metals & Mins	2,068.50*	2,064.72	1,996.0
Composite	3,073.8*	3,066.1	2,634.1
Montreal			
Portfolio	1,563.54*	1,561.16	129.7
DENMARK			
SE	n/a	236.98	186.84
FRANCE			
CAC Gen	410.6	407.5	218.2
Ind. Tendance	154.3	153.5	77.48
WEST GERMANY			
FAZ-Aktien	652.19	676.65	426.34
Commerzbank	1,963.2	2,049.3	1,244.5
HONG KONG			
Hang Seng	1,832.50	1,852.21	1,613.36
ITALY			
Banca Comm.	819.47	824.98	289.02
NETHERLANDS			
ANP-CBS Gen	260.7	262.7	209.1
ANP-CBS Ind	249.1	252.4	172.6
NORWAY			
Oslo SE	352.25	333.93	332.58
SINGAPORE			
Straits Times	590.42	584.41	796.12
SOUTH AFRICA			
JSE Golds	–	1,190.2	1,069.2
JSE Industrials	–	1,126.9	911.3
SPAIN			
Madrid SE	194.77	190.96	82.16
SWEDEN			
J & P	2,245.64	2,247.85	1,458.33
SWITZERLAND			
Swiss Bank Ind	584.6	590.7	432.3
WORLD	May 9	Prev	Year ago
MS Capital Int'l	322.0	320.7	204.5

COMMODITIES		
(London)	May 12	Prev
Silver (spot fixing)	337.50p	338.35p
Copper (cash)	£924.00	£937.75
Coffee (May)	£1,952.50	£2,065.00
Oil (Brent blend)	$14.40	$14.525

GOLD (per ounce)		
	May 12	Prev
London	$345.25	$345.25
Zürich	$345.45	$344.70
Paris (fixing)	$346.98	$345.57
Luxembourg	$344.75	$344.15
New York (June)	$345.50	$345.50

CURRENCIES				
	US DOLLAR		STERLING	
(London)	May 12	Previous	May 12	Previous
$	–	–	1.546	1.541
DM	2.174	2.1785	3.36	3.3575
Yen	161.05	162.3	249.0	250.0
FFr	6.9225	6.9375	10.7025	10.69
SFr	1.8025	1.8085	2.7875	2.7875
Guilder	2.448	2.452	3.785	3.775
Lira	1,492.0	1,493.0	2,307.0	2,300.0
BFr	44.4	44.45	68.65	68.5
C$	1.3805	1.3802	2.1342	2.124

INTEREST RATES		
	May 12	Prev
Euro-currencies (3-month offered rate)		
£	10 5/16	10½
SFr	4¾	4⅝
DM	4 11/16	4¾
FFr	7⅝	7½
FT London Interbank fixing (offered rate)		
3-month US$	6 15/16	6¾
6-month US$	6⅞	6 15/16
US Fed Funds	6⅞*	6¾
US 3-month CDs	6.6*	6.56
US 3-month T-bills	6.10*	6.26

US BONDS				
Treasury	May 12*		Prev	
	Price	Yield	Price	Yield
6⅝ 1988	99 15/32	6.934	99 23/32	6.77
7⅜ 1993	99⅝	7.541	100 5/32	7.31
7⅜ 1996	98 11/32	7.615	101 9/32	7.506
7¼ 2016	98 9/32	7.375	102 9/32	7.5

Source: Harris Trust Savings Bank

Treasury Index				
	May 12*			
Maturity (years)	Return index	Day's change	Yield	Day's change
1–30	150.10	−0.89	7.57	+0.12
1–10	142.86	−0.47	7.39	+0.12
1– 3	134.74	−0.11	7.08	+0.09
3– 5	144.95	−0.38	7.54	+0.11
15–30	176.10	−2.46	8.17	+0.15

Source: Merrill Lynch

Corporate	May 12*		Prev	
	Price	Yield	Price	Yield
AT & T				
3⅞ July 1990	89	6.99	89.27	6.9
SCBT South Central				
10⅞ Jan 1993	106⅞	7.88	107	7.56
Phibro-Sal				
8 April 1996	98	8.29	99	8.14
TRW				
8⅜ March 1996	103.32	8.10	103.59	8.05
Arco				
9⅞ March 2016	106⅞	9.22	106⅞	9.22
General Motors				
8⅜ April 2016	93⅞	8.74	94⅞	8.64
Citicorp				
9⅜ March 2016	98½	9.52	99	9.47

Source: Salomon Brothers

FINANCIAL FUTURES				
CHICAGO	Latest	High	Low	Prev
US Treasury Bonds (CBT) 8% 32nds of 100%				
June	97-21	97-30	97-05	99-05
US Treasury Bills (IMM) $1m points of 100%				
June	93.99	94.00	93.95	94.06
Certificates of Deposit (IMM) $1m points of 100%				
June	93.52	n/a	93.52	93.55
LONDON				
Three-month Eurodollar $1m points of 100%				
June	93.11	93.18	93.09	93.26
20-year Notional Gilt £50,000 32nds of 100%				
June	124-14	125-10	124-08	125-16

* *Latest available figures*

TOKYO

Yen's surge produces cloudy view

THE VIEW in Tokyo yesterday was clouded by the yen's surge against the dollar and some technical profit-taking after last week's record-breaking performance, *writes Shigeo Nishiwaki of Jiji Press.*

Small-capital cash stocks such as Kobe Kiito and some issues with hidden incentives were favoured by investors seeking short-term gains. But leading issues such as electric powers, public investment-related, hidden-asset and blue-chip shares eased on small-lot selling.

The Nikkei stock average lost 89.75 to 16,105.23 on volume of 555m shares, down from last Friday's 812m. Declines outstripped advances by 483 to 366, with 128 issues unchanged.

Last week, the stock average gained 412 points to top the 16,000 level for the first time. The advance drew on consumer-related blue chips and incentive-based issues, in response to the failure of the leading industrial nations to agree on action to arrest the yen's rise at the Tokyo summit.

The market opened on a firm note yesterday, rising 53 points at one stage, but many investors retreated when the yen broke through the 160 barrier against the dollar.

Speculative and incentive-based issues attracted buyers. Showa Denko, which was bought last week on speculative rumours, remained a favourite. Topping the most active list with 19.93m shares traded, the stock gained an early Y11 but closed Y9 down at Y331 amid growing fears of the recent market advance.

Toyo Soda gained Y21 to Y416 on news that the company had developed a new weedkiller. Volume was 15.41m shares, the second busiest on the list.

Kyokuyo rose Y52 to Y372 on volume of 14.69m shares, the third busiest. All Nippon Airways edged Y10 to Y910, and Tobishima Corporation picked up an early Y30 but finished Y2 down at Y783.

Small-capital cash stocks were also spotlighted. Prominent among them was Kobe Kiito, which closed Y59 up at Y679. Asahi Denka gained Y24 to Y935 and Fujii Y50 to Y710.

Meanwhile, leading stocks eased on small-lot selling. Mitsubishi Estate, which had led the market in March, rose Y40 at one stage but closed Y50 lower at Y1,890. The sharp rise of the yen against the dollar sent electric power and gas issues down. Tokyo Electric Power fell Y80 to Y3,880 and Tokyo Gas Y4 to Y395.

Mitsukoshi, which had gained popularity as a consumer-related issue, shed Y10 to Y1,030. Taisei Corporation eased Y17 to Y486.

The bond market eased in thin trading, despite the yen's surge against the dollar. Institutional investors were not impressed by a sharp fall in yield levels, and trading was evident only among brokers. A fall in the bond futures market put downward pressure on the cash bond market.

The yield on the bellwether 6.2 per cent government bond due in July 1995 soared to 4.720 per cent from last Friday's 4.665 per cent. Meanwhile, the yield on the 5.1 per cent government bond due in March 1996 slipped to 4.560 per cent from Friday's 4.575 per cent but later rose to 4.635 per cent on small-lot selling.

CANADA

GOLD AND OIL issues led a rally in Toronto which eventually seeped through to most other sectors.

Campbell Red Lake firmed C$⅛ to C$21⅛, and International Corona picked up C$⅛ to C$21⅞. Among the leading oils Imperial gained C$⅞ to C$43, while Total Petroleum North America traded C$½ up to C$30.

Elsewhere, Massey-Ferguson was actively traded 35 cents higher to C$3.55 on results.

Utilities showed small gains in Montreal as industrials slipped and banks were largely unchanged.

EUROPE

Foreigners remain on the sidelines

FOREIGN INVESTORS were distracted by the weaker dollar and remained absent from the major European bourses yesterday. Export-oriented issues suffered most at the hands of the US currency as companies saw their overseas sales and earnings diminish along with the dollar's value.

Frankfurt was most severely hit as the dollar's Frankfurt fixing touched its lowest level for five years, ending at DM 2.1710 against DM 2.1805 on Friday.

Domestic investors were also wary ahead of state elections in Lower Saxony next month, where many feel Chancellor Helmut Kohl's centre-right Government will be put to the test. Some added support for the environmentalists is expected after the Chernobyl disaster.

The Commerzbank index plunged 86.1 to 1,963.2, and turnover remained at last week's lower levels.

Daimler suffered one of the sharpest falls of the day, dropping DM 60 to DM 1,305 while in other car issues Porsche gave up DM 24.50 to DM 1,060.50, BMW DM 14 to DM 570 and VW DM 16.50 to DM 579.70.

Bayer and Hoechst, two of the country's largest chemical groups, said recently that the lower dollar had pulled first-quarter sales and earnings down. Yesterday, Bayer lost DM 8.20 to DM 291.80 and Hoechst dropped DM 9.20 to DM 281.80 ex-rights.

BASF, the third major chemical group, is expected to release similar earnings figures tomorrow. It dropped DM 9.50 to DM 280.50 yesterday.

Veba, the energy, chemical and trading group, eased DM 9.50 to DM 301 despite a rise in group net profit for the first quarter.

With 1985 profits up at Henkel, the applied chemicals group looks set to make further acquisitions in Europe, particularly Britain, France, West Germany and Spain. However, it had lost DM 6 to DM 407 by the close.

Selling of bonds pushed their prices down by around 150 basis points, with longs recording the heaviest losses.

The Bundesbank bought a sizable DM 176.3m worth of domestic paper after buying DM 1.2m ahead of the weekend.

Foreign stocks were lower in Brussels on the back of the weaker dollar, but domestic issues soared to new highs.

Bellwether stock Petrofina closed up BFr 160 at BFr 7,860 on higher first-quarter results and in line with strengthening oils following the Chernobyl disaster.

Sofina added BFr 500 to BFr 11,000 while non-ferrous metals group Asturienne rose BFr 24 to BFr 1,124.

Outside the industrial sector GBL lost BFr 70 to BFr 3,530, and Cobepa rose BFr 75 to BFr 4,790. Utilities were mixed after strong gains last week following cuts in interest rates.

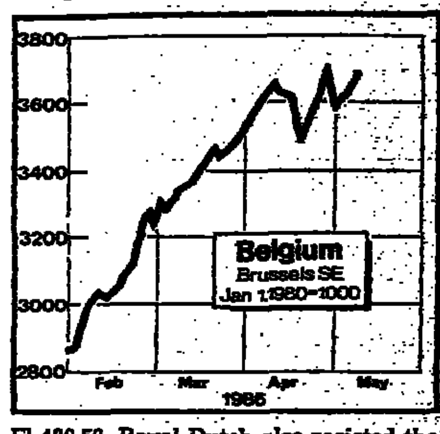
Paris was the other exception in Europe, pursuing the firmer trend evident over the past few sessions. Traders appeared optimistic over upcoming corporate results.

Among companies to announce higher earnings figures yesterday, Schneider eased FFr 10 to FFr 651 and BSN, the foods group, added FFr 15 to FFr 4,010.

Construction issues were among the strongest performers as Lafarge-Coppée climbed FFr 78 to FFr 1,613

As next week's general election weighed on investors minds, trading in Amsterdam remained thin, and prices continued lower. Foreigners were also absent.

Unilever was among the few issues to gain after news of higher-than-expected first-quarter earnings. It jumped Fl 6 to Fl 430.50. Royal Dutch also resisted the trend, rising Fl 2.50 to Fl 192.50 ahead of results due on Thursday.



Pre-election jitters spilled over into the bond market where prices fell ahead of today's close of subscriptions for the state's new 10-year 6¾ per cent tender issue.

Zurich was dull with prices ending mixed.

Banks were sought by foreigners, and demand centred on Union Bank, which added SFr 140 to SFr 5,790. But industrials, particularly chemical and machine makers, fell victim to the dollar's weakness.

Profit-taking after recent strong gains left Milan lower ahead of the end-of-month position squaring.

Fiat was especially heavily hit after performing well throughout the recent bullish run. The motor group retreated L600 to L14,200.

SME rallied to a new high of L3,380, up L186, on hopes that its controversial takeover by Buitoni might soon be approved.

Stocks of Norwegian companies quoted in Stockholm rose in active trading, but most other issues finished the session little changed. Madrid was also slightly higher.

OSLO surged on the devaluation news, and the All Share index recovered 12.07 of its recent losses to close at 272.11. Turnover reached 410,000 shares worth NKr 49.9m.

Among the leading stocks Norsk Hydro jumped NKr 9.50 to NKr 138, a 7.3 per cent gain, Norsk Data rebounded NKr 22.50 to NKr 446.50, up 5 per cent, and Hafslund soared NKr 15.50 to NKr 48, a gain of 49 per cent.

In banks Bergens firmed NKr 9.50 to NKr 157.50, and Christiania closed NKr 14.50 higher at NKr 164.

SOUTH AFRICA

A MIXED showing in Johannesburg stemmed from the lack of any fresh incentives.

Price movements were mainly small, with Buffels 50 cents higher at R71, although Driefontein held unchanged at R53. Some issues moving ex-dividend produced large superficial falls such as Ofsil, down R4.25 at R80.75.

Mining financials were mixed, but De Beers among diamond producers edged 20 cents down at R24.30 while Rustenburg Platinum slipped 40 cents to R31.

Barlow Rand moved 30 cents higher among mixed industrials.

SINGAPORE

THIN trading dominated Singapore and left most sectors slightly firmer as the Straits Times industrial index added 6.01 to 590.42.

Strong local buying support continued for isolated blue chips while institutional buyers were absent except among banking stocks.

Tat Lee Bank managed a 15-cent gain to S$2.06 while DBS firmed 5 cents to S$5.05. Malayan Banking added 2 cents to S$3.20 and UOB held on to a 4-cent rise at S$3.10.

LONDON

Tentative signs of stability

SOME TENTATIVE signs of stability returned to London equities yesterday as the new three-week account got under way. Some traces of the recent uncertainty remained, and selective demand was reserved for blue-chip industrials.

Reflecting the early unease, the FT Ordinary index showed a 10am loss of 4.5 but recovered to edge a net 0.2 higher on the day at 1,330.5.

Half-yearly results from BOC, down 3p at 332p, were in line with market expectations and failed to arouse much excitement.

Glaxo, 28p higher at 953p, encountered strong US demand and proved one of the few noteworthy movements.

Gilts were again largely influenced by the US bond market, which came under early selling pressure yesterday. The announcement of favourable producer price indices around midday failed to halt the initial setback, and losses amounted to about ½ among longs extending to closing declines of 1⅛. Index-linked issues resisted the trend and held gains of ¼ or more in spots.

Still reflecting debt settlement hopes, Chinese bonds encountered further buying. The 5 per cent 1925 Boxer advanced 4 points to £30.

Chief price changes, Page 37; Details, Page 36; Share information service, Page 34–35

AUSTRALIA

SUSTAINED profit-taking among industrial stocks and a down-hearted mining sector left Sydney lower and trimmed 13.4 off the All Ordinaries index to 1,218.2.

BHP traded quietly in a narrow range and firmed 2 cents to A$7.42 on turnover of 826,000 shares. Bell Resources, expected to raise its offer for BHP, slipped 20 cents to A$3.85 while its parent Bell Group added 2 cents to A$8.46. Elders IXL retreated 3 cents to A$4.40 as Adelaide Steamship dipped 10 cents to A$14.10.

Among other industrials that fuelled last week's record performance, Sarich retreated 80 cents to A$15, Pacific Dunlop lost 25 cents to A$3.70 and Coles Myer finished 16 cents cheaper at A$6.24.

News Corp moved against the trend with a 20-cent rise to A$23.20 after encountering some strong profit-talking late last week.

Among the weaker banks Westpac, due to release its interim figures on Thursday, edged 4 cents to A$5.60.

HONG KONG

THE WEEKEND cut in the prime rate to 7.5 per cent failed to trigger buying interest in Hong Kong, and the Hang Seng index fell 19.71 to 1,832.50. Selling pressure subsided near the close, however.

Refunds to unsuccessful applicants in the Cathay Pacific flotation have not returned to the market as some operators had expected, causing further concern.

China Light and Hong Kong Telephone lost 20 cents each to HK$16.60 and HK$11.40, respectively, while Hongkong Electric lost 15 cents to HK$9.10.

Among leading property issues, Cheung Kong was 30 cents down at a closing quote of HK$21.30, Hongkong Wharf and New World were 10 cents lower at HK$7.15 and HK$6.35, respectively, and Hutchison fell 25 cents to HK$30.25.

The subdued performance among property stocks was attributed to the smaller-than-expected cut of half a percentage point in the prime rate.